

**CITY OF SHEBOYGAN**

Sheboygan, Wisconsin

**FINANCIAL STATEMENTS**

December 31, 2004

# CITY OF SHEBOYGAN

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## **INDEPENDENT AUDITORS' REPORT**



## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Common Council  
City of Sheboygan  
Sheboygan, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sheboygan, Wisconsin, as of and for the year ended December 31, 2004, which collectively comprise the city's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Sheboygan's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the City of Sheboygan and the Harbor Centre Business Improvement District. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sheboygan, Wisconsin, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued a report on our consideration of the City of Sheboygan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Honorable Mayor and Common Council  
City of Sheboygan

The management's discussion and analysis on pages 3 through 16 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sheboygan's basic financial statements. The combining financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying Schedules of Expenditures of Federal and State Awards are presented for purposes of additional analysis as required by OMB Circular A-133 and State Single Audit Guidelines and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Vinbow, Krause & Company, LLP*

Milwaukee, Wisconsin  
March 4, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **CITY OF SHEBOYGAN**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Sheboygan's discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (4) identify any material deviations from the financial plan (the approved budget), and (5) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements (beginning on page 15).

### **GENERAL INFORMATION**

The City of Sheboygan was incorporated as a City on April 5, 1853. The City of Sheboygan is located in Sheboygan County, approximately 52 miles north of Milwaukee. The City's boundary encompasses 14.48 square miles and has a population of 50,672.

The City of Sheboygan is a municipal corporation governed by an elected mayor and sixteen-member council. The City provides the full range of municipal services, including police and fire protection, parks and culture activities, public works operations, parking and transit utilities, water and sewer utilities, community development, and general administrative services.

The City of Sheboygan operates under a Council-Mayor form of government with sixteen aldermen comprising the governing body. The aldermen are elected on an alternating basis for a term of two years. The Council members elect the president of the Council to that position. In 2004, the Council had five standing committees with five aldermen on each committee. The standing committees are: Finance, Public Protection and Safety, Public Works, Salaries and Grievances and Law and Licensing.

The City has included the financial statements of the Housing Authority and the Business Improvement District as component units. They are legally separate organizations. The Water Utility is included in the accompanying financial statements. The Sheboygan Area School District is excluded from the financial reporting entity since this entity operates as a separate governing board that is not under the control of the City.



## **CITY OF SHEBOYGAN**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

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#### **FINANCIAL HIGHLIGHTS**

- The City of Sheboygan's assets exceeded its liabilities by \$104 million (net assets) for the fiscal year reported, which is an increase of \$48.6 million from the previous year.
- Total net assets are comprised of the following:
  - (1) Capital assets of \$58.2 million include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Restricted assets of \$4.6 million are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws or regulations.
  - (3) Unrestricted net assets of \$41.2 million represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- At the end of the 2004 fiscal year, the City's ending fund balance for the governmental funds totaled \$27.3 million, a decrease of \$4.3 million in comparison to the previous year. The ending fund balance for the General Fund was \$12 million, a decrease of \$448,648 from the previous year. The unreserved fund balance in the General Fund was \$7.4 million, or 23% of total general fund expenditures. The unreserved fund balance decreased \$346,257 from the previous year. The General Fund reserved fund balance of \$4.6 million includes a \$1 million allocation for the 2005 Budget.
- The total General Fund revenues and expenditures showed favorable budget versus actual balances.
- The City issued \$8.8 million in general obligation notes in 2004. Of this amount, \$1.9 million related to refunding previous debt, \$2.6 million for the general capital improvements program and \$4.3 million for the Tax Incremental District No. 6 projects in the South Pier District.
- In 2004, the City's general obligation debt increased \$485,686 to a total of \$66.3 million, which is less than 3% of the City's equalized valuation.

## CITY OF SHEBOYGAN

### MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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#### USING THE FINANCIAL STATEMENTS

The City's financial statements present two kinds of statements, each with a different snapshot of the City's finances. The new financial statement's focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability.

##### **Government-Wide Financial Statements**

The government-wide financial statements (see pages 17 to 20) are designed to be corporate-like in that governmental and business-type activities are consolidated into columns, which add to a total for the Primary Government. The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to be similar to bottom line results for the City and its governmental and business-type activities. This statement, for the first time, combines and consolidates governmental fund's current financial resources (short-term resources that can be spent) with capital assets and long term obligations using the accrual basis of accounting and economic resources measurement focus.

The Statement of Activities (see pages 19 & 20) is focused on both the gross and net cost of various activities (including governmental, business-type), which are supported by the government's general taxes and other resources. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

The Governmental Activities reflect the City's basic services, including police, fire protection, public works and administration. State shared revenues and the property tax levy finance the majority of these services. The Business-type Activities reflect private sector type operations (Stormwater, Water and Wastewater), where the fee for service typically covers all or most of the cost of operation, including depreciation.

The government-wide financial statement amounts for 2003 have been restated to reflect the inclusion of certain infrastructure capital assets not previously reported and the reclassification of other infrastructure capital assets from governmental activities to business-type activities.

##### **Fund Financial Statements**

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on Major Funds, rather than (the previous model's) fund types.

The Governmental Major Fund (see pages 21 to 27) presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the Fund Financial Statement allows the demonstration of sources and uses and/or budgeting compliance associated therewith.

## CITY OF SHEBOYGAN

### MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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The Fund Financial Statements also allow the government to address its Fiduciary Funds. While these Funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the Government-Wide Financial Statements.

While the Total column on the Business-type Fund Financial Statements (see pages 28 to 31) is substantially the same as the Business-type column at the Government-Wide Financial Statement, the Governmental Major Funds Total column require a reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected in the reconciliation's on pages 22 & 25. The flow of current financial resources will reflect bond proceeds and interfund transfers as other financial sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligation (bonds and others) into the Governmental Activities column (in the Government-wide statements).

#### **Infrastructure Assets**

Historically, a government's largest group of assets (infrastructure – streets, bridges, storm sewers, etc.) have not been reported nor depreciated in governmental financial statements. This new statement requires that these assets be valued and reported within the Governmental column of the Government-wide Statements. Additionally, the government must elect to either (1) depreciate these assets over their estimated useful life or (2) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government develops the asset management system (the modified approach), which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation.

The City of Sheboygan has chosen to depreciate the assets.

**CITY OF SHEBOYGAN**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**GOVERNMENT-WIDE STATEMENT**

**Statement of Net Assets**

The City of Sheboygan's net assets exceed liabilities by \$104 million. A significant portion of the net assets, (\$41.1 million or 40 percent), are unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

The portion of net assets that reflects the City's investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), net of related debt, is \$58.2 million or 56 percent. The restricted net assets reflect reserves and totaled \$4.6 million or 4% of the net assets.

The following table reflects the condensed Statement of Net Assets:

**STATEMENT OF NET ASSETS**

**As of December 31, 2004**

**(In thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 85,808	\$ 88,942	\$ 10,964	\$ 9,825	\$ 96,772	\$ 98,767
Capital assets	<u>60,344</u>	<u>50,830</u>	<u>70,869</u>	<u>68,666</u>	<u>131,213</u>	<u>119,496</u>
Total Assets	146,152	139,772	81,833	78,491	227,985	218,263
Long-term liabilities outstanding	79,597	78,930	8,824	6,677	88,421	85,607
Current and other liabilities	<u>32,784</u>	<u>33,537</u>	<u>2,797</u>	<u>2,580</u>	<u>35,581</u>	<u>36,117</u>
Total Liabilities	112,381	112,467	11,621	9,257	124,002	121,724
Net assets:						
Invested in capital assets, net of related debt	(3,971)	(7,129)	62,174	61,989	58,203	54,860
Restricted	4,099	1,316	524	784	4,623	2,100
Unrestricted	<u>33,643</u>	<u>33,118</u>	<u>7,514</u>	<u>6,461</u>	<u>41,157</u>	<u>39,579</u>
Total net assets	\$ 33,771	\$ 27,305	\$ 70,212	\$ 69,234	\$ 103,983	\$ 96,539

**CITY OF SHEBOYGAN**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

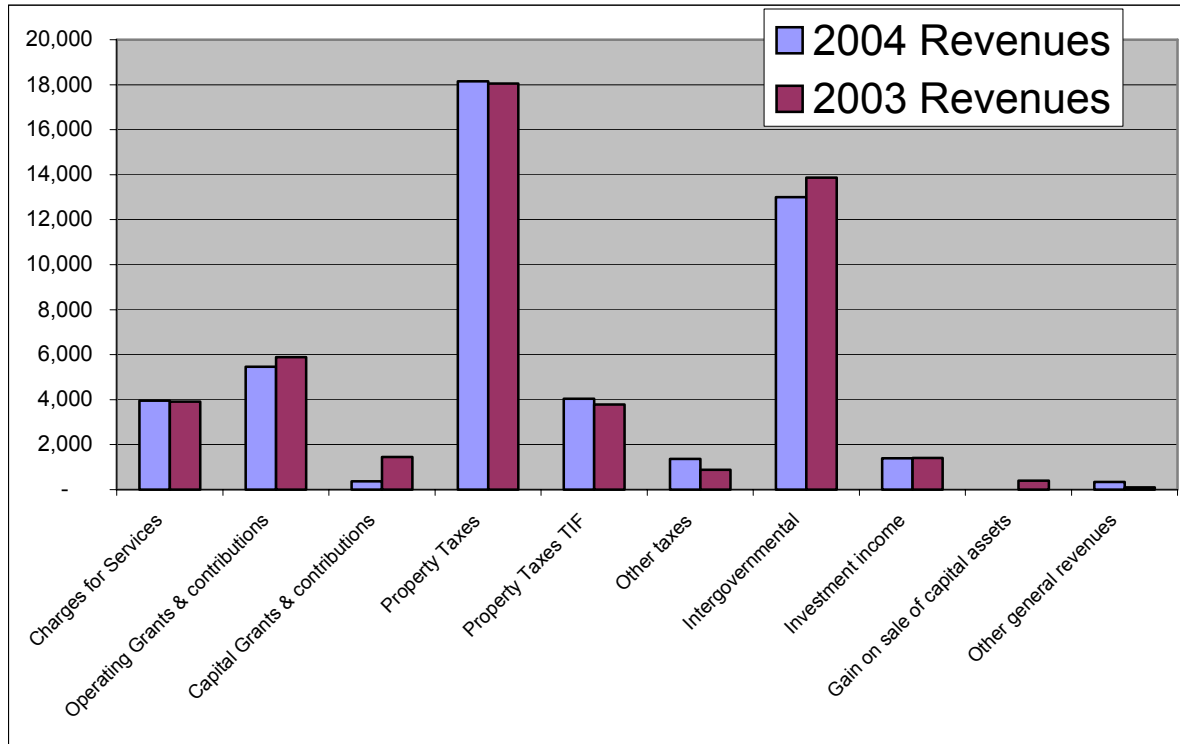
**CHANGES IN NET ASSETS**  
**For the year ending December 31, 2004**  
**(In thousands)**

<b><u>REVENUES:</u></b>	<b><u>Governmental Activities</u></b>		<b><u>Business-type Activities</u></b>		<b><u>Total</u></b>	
<b>Program Revenues:</b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Charges for Services	\$ 3,952	\$ 3,912	\$ 12,884	\$ 11,008	\$ 16,836	\$ 14,920
Operating Grants & contributions	5,458	5,887	1,971	2,032	7,429	7,919
Capital Grants & contributions	363	1,458	1,687	1,641	2,050	3,099
<b>General Revenues:</b>						
Property Taxes	18,152	18,051	545	545	18,697	18,596
Property Taxes TIF	4,036	3,787	-	-	4,036	3,787
Other taxes	1,362	889	-	-	1,362	889
Intergovernmental	12,997	13,875	-	-	12,997	13,875
Investment income	1,392	1,408	191	198	1,583	1,606
Gain on sale of capital assets	-	403	-	-	-	403
Other general revenues	<u>320</u>	<u>94</u>	<u>76</u>	<u>112</u>	<u>396</u>	<u>206</u>
Total Revenues	48,032	49,764	17,354	15,536	65,386	65,300
<b><u>EXPENSES:</u></b>						
<b>Governmental Activities:</b>						
General Government	5,215	4,639	-	-	-	-
Public Protection/Safety	17,395	17,196	-	-	-	-
Public Works	6,839	12,954	-	-	-	-
Health/Human Services	830	366	-	-	-	-
Culture/Recreation	6,887	4,132	-	-	-	-
Conservation/Development	1,732	6,630	-	-	-	-
Debt Expense	3,300	2,876	-	-	-	-
<b>Business-type Activities:</b>						
Storm Water Fund	-	-	1,201	-	1,201	-
Wastewater System Fund	-	-	7,172	7,573	7,172	7,573
Water Utility Fund	-	-	3,434	3,368	3,434	3,368
Transit Funds	-	-	3,489	3,603	3,489	3,603
Parking Funds	-	-	379	365	379	365
Boat Facility Fund	<u>-</u>	<u>-</u>	<u>69</u>	<u>39</u>	<u>69</u>	<u>39</u>
Total expenses	<u>42,198</u>	<u>48,793</u>	<u>15,744</u>	<u>14,948</u>	<u>57,942</u>	<u>63,741</u>
Changes in net assets before transfers	5,834	971	1,610	588	7,444	1,559
Transfers	<u>632</u>	<u>613</u>	<u>(632)</u>	<u>(613)</u>	<u>-</u>	<u>-</u>
Change in net assets	6,466	1,584	978	(25)	7,444	1,559
Net Assets - January 1	<u>27,305</u>	<u>25,721</u>	<u>69,234</u>	<u>69,259</u>	<u>96,539</u>	<u>94,980</u>
Net Assets - December 31	\$ 33,771	\$ 27,305	\$ 70,212	\$ 69,234	\$ 103,983	\$ 96,539

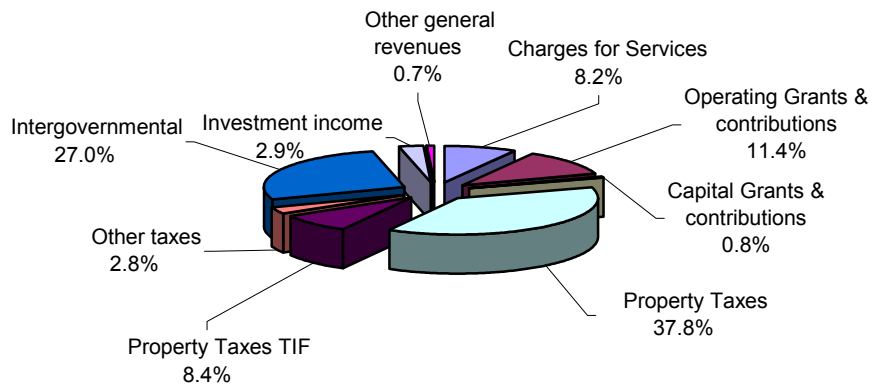
# CITY OF SHEBOYGAN

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### Program and General Revenues by Source – Governmental Activities



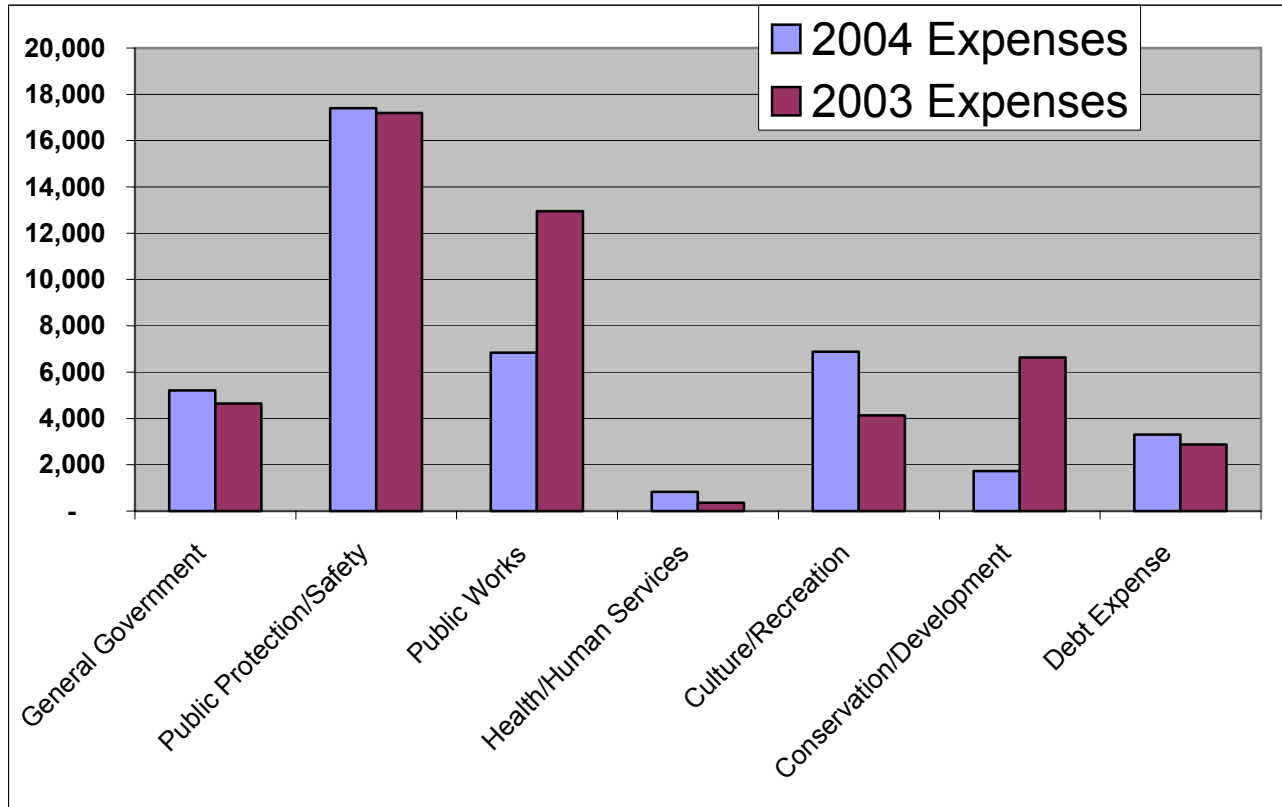
### 2004 Program and General Revenues by Source - Governmental Activities



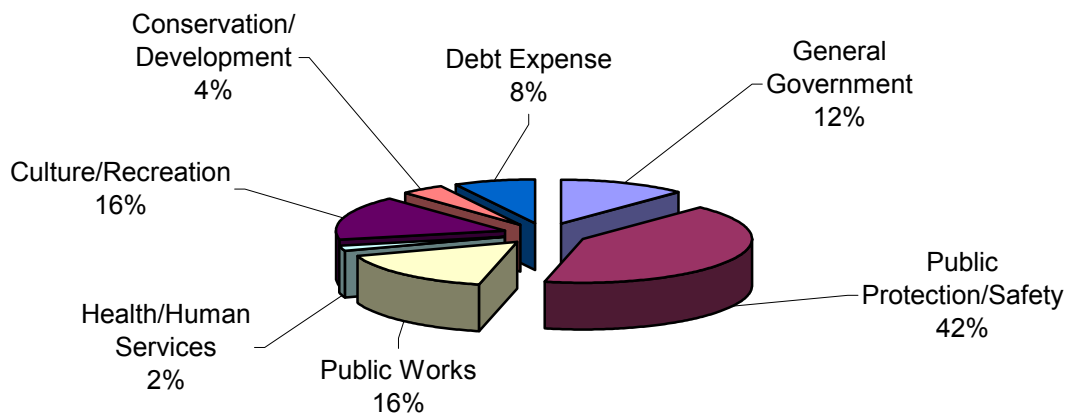
## CITY OF SHEBOYGAN

### MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

#### Expenses – Governmental Activities



#### 2004 Expenses - Governmental Activities



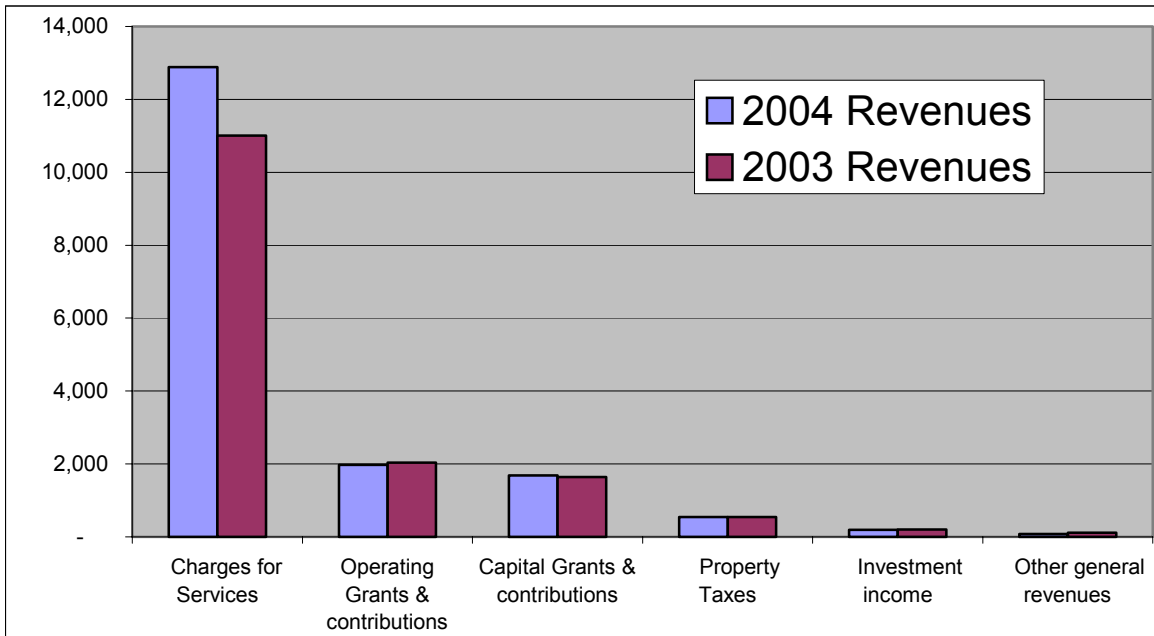
## CITY OF SHEBOYGAN

### MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

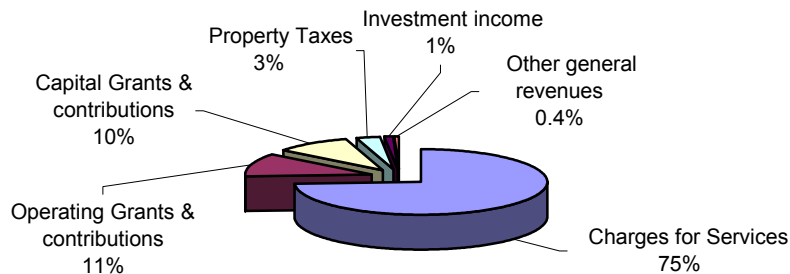
#### Business-type activities

Business-type activities accounted for 68% of the City of Sheboygan's net assets as of 12/31/04. The revenues for business-type activities exceeded expenses by \$1.6 million. After transfers, the net assets for business-type activities increased \$978,000 to \$70.2 million.

#### Revenues by Source – Business-type Activities



#### 2004 Revenues by Source - Business Activities

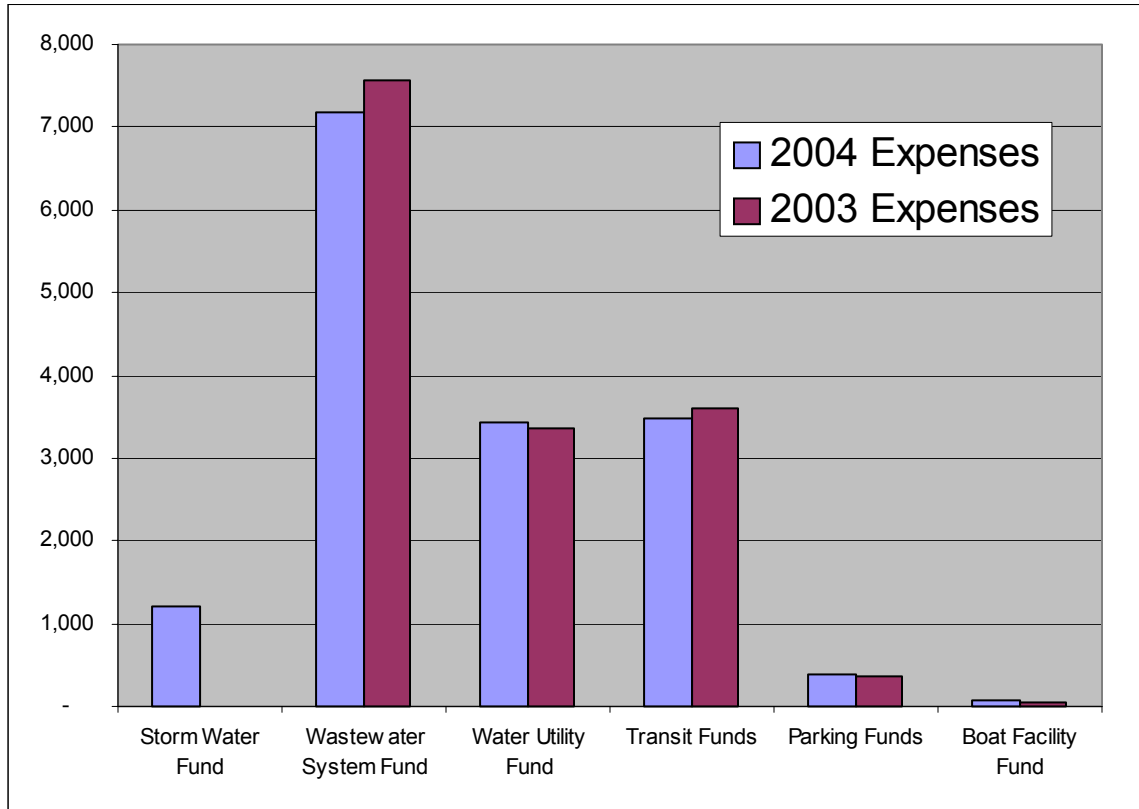




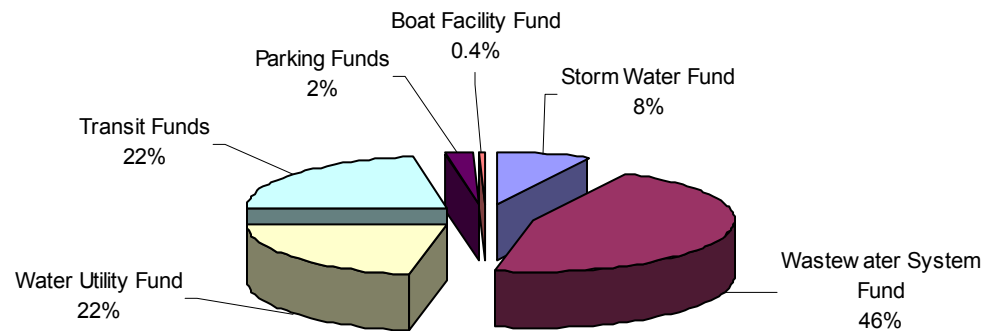
## CITY OF SHEBOYGAN

### MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

#### Expenses – Business-type Activities



#### 2004 Expenses - Business Type Activities



## CITY OF SHEBOYGAN

### MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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#### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

##### **Governmental Funds**

Governmental funds reported ending fund balances of \$27.3 million. 41% of this year-end total, or approximately \$11.3 million, is unreserved and is available for continuing City service requirements. Reserved fund balances include \$8.5 million committed to debt service, \$1.3 million committed to encumbrances, \$2.8 million for non-current assets, \$1.6 million for assets in trusts, \$1 million for subsequent year budgets, \$550,000 for capital projects and \$110,779 for insurance claims.

The total ending fund balance of governmental funds shows a decrease of \$4.2 million over the prior year. This decrease is primarily the result of the use of bonded capital project balances.

##### **Proprietary Funds**

Unrestricted net assets at the end of 2004 were \$4.4 million for the Sewerage System, \$10,572 for the Storm Water Utility and \$1.7 million for the Water Utility. The unrestricted net assets of the other enterprise funds, including the Transit Commission, the Parking Utility and the Boat Facility, amounted to \$1.4 million at year-end.

The City participates in a public entity risk pool called Cities and Villages Mutual Insurance Company that provides liability coverage beyond the City's retention of \$100,000 per occurrence and an annual aggregate limit of \$400,000.

The City continues to maintain self-insured funds for the health benefit plan and for workers compensation. The City's health rates that are charged to departments and retirees have been increasing by approximately 13% per year. The rates for the workers compensation fund have been stable.

##### **Major Governmental Fund**

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund at the end of the current fiscal year was \$12 million. The General Fund expenditures exceeded revenues by \$1 million. With the inclusion of operating transfers, the fund balance of the General Fund increased \$448,648.

## CITY OF SHEBOYGAN

### MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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#### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget totaled \$564,148. The actual expenditures were \$429,518 under the final budget and \$134,630 over the original budget.

The total amendments included prior year appropriations of \$194,663 for Police squad cars that are purchased every other year and prior year appropriations for other capital outlay and projects.

The major budget amendment that increased the current year appropriations was \$360,000 from a transfer from the Cable Fund for capital outlay in various departments.

The actual General Fund revenues exceeded the final revenue estimates by \$361,110.

# CITY OF SHEBOYGAN

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital assets

The City of Sheboygan's investment in capital assets for its governmental and business type activities as of December 31, 2004, amounts to \$131.2 million (net of depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, roads, highways, storm and sanitary sewers and sidewalks.

#### CAPITAL ASSETS

(net of accumulated depreciation)  
(In thousands)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land & improvements	\$ 18,932	\$ 16,228	\$ 24,923	\$ 23,874	\$ 43,855	\$ 40,102
Buildings	12,782	6,025	7,173	7,544	19,955	13,569
Machinery & equipment	5,121	5,419	6,267	7,080	11,388	12,499
Infrastructure	23,509	8,077	25,886	366	49,395	8,443
Construction in progress	-	325	6,620	3,418	6,620	3,743
Total	\$ 60,344	\$ 36,074	\$ 70,869	\$ 42,282	\$ 131,213	\$ 78,356

#### Long-term debt

At the end of the 2004 fiscal year, the City of Sheboygan's total bonded debt outstanding was \$75.1 million. Of this amount, \$66.3 million comprises debt backed by the full faith and credit of the government. The remainder of the City of Sheboygan's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

#### OUTSTANDING BONDED DEBT

December 31, 2004 and 2003  
(In thousands)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation bonds and notes	\$ 66,324	\$ 65,839	\$ -	\$ -	\$ 66,324	\$ 65,839
Revenue Bonds and Mortgage notes	-	-	8,824	6,677	8,824	6,677
Total	\$ 66,324	\$ 65,839	\$ 8,824	\$ 6,677	\$ 75,148	\$ 72,516

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total equalized valuation. The State debt limitation for the City of Sheboygan as of December 31, 2004 was \$117.6 million. The City Council has established a debt limit of 3% of equalized valuation, or \$70.6 million as of December 31, 2004.

During 2004, the City of Sheboygan issued general obligation notes in the amount of \$8.8 million for the following purposes:

\$1.9 million to refinance previously outstanding debt at lower rates

\$2.6 million to fund the 2003 Capital Improvements Program

\$4.3 million to construct improvements in Tax Incremental District No. 6.

## **CITY OF SHEBOYGAN**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

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#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City's 2005 adopted budget for the General Fund increased from \$32 million to \$33 million, an increase of 3.3%. The total adopted budget for the governmental funds increased from \$52.5 million to \$56.3 million, an increase of 7.1%.

The tax levy increased \$1.1 million or 6%, which included an increase of \$1.5 million for the General Fund, \$163,000 for the Library Fund, \$92,074 for the Transit Fund and a decrease of \$624,475 for the Debt Service Fund.

The applied fund balance in the General Fund budget decreased from \$1,282,600 in 2004 to \$1,038,000 in 2005.

The seven labor contracts remain unsettled for 2005 as of this report.

The Wastewater Utility increased the Wastewater rates by approximately 1% effective January 2005.

In October 2001, the City acquired a 42-acre parcel for redevelopment. This parcel is a peninsula along the lakefront and riverfront and is known as the South Pier District.

In June 2004, the Great Lakes Companies completed construction of a \$54 million project on one-half of the South Pier District that includes a 183-room resort, an indoor water park, a restaurant and 64 rental condominiums that is known as the Blue Harbor Resort. The project created approximately 350 full and part-time jobs. As part of the project, the City constructed a conference center utilizing room tax dollars from the Resort.

Since 2003, the City completed improvements in the South Pier District for remediation, demolition, seawall replacement, street construction, utility work, a riverfront promenade, beach restoration, lakefront trails, public parking lots, restrooms and a fish cleaning station. Total project costs for the infrastructure are estimated at \$11 million.

In 2005, additional development has begun in the remaining twenty acres with the construction of fish shanty style structures for various businesses. The City is currently reviewing development agreements for additional projects.

In 2004, Acuity, a regional property and casualty insurer, expanded their existing facility with a 230,000 square foot addition with an estimated value of \$45 million.

#### **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Sheboygan's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Finance Department, 828 Center Ave., Sheboygan, Wisconsin, 53081.

## **BASIC FINANCIAL STATEMENTS**

# CITY OF SHEBOYGAN

## STATEMENT OF NET ASSETS

Friday, December 31, 2004

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 25,233,707	\$ 7,342,800	\$ 32,576,507
Receivables (net of allowance for uncollectible accounts)	38,434,567	2,933,696	41,368,263
Internal balances	575,132	(575,132)	-
Inventory	388,197	153,227	541,424
Investments	18,789,237	-	18,789,237
Unamortized debt issue costs	99,460	5,222	104,682
Other Assets	82,423	33,234	115,657
Deposit with CVMIC	2,205,665	-	2,205,665
Restricted assets			
Cash and cash equivalents	-	661,153	661,153
Investments	-	410,000	410,000
Capital assets (net of accumulated depreciation)			
Land	13,457,226	2,314,005	15,771,231
Other capital assets	46,886,332	61,935,673	108,822,005
Construction in progress	-	6,619,769	6,619,769
<b>TOTAL ASSETS</b>	<b>146,151,946</b>	<b>81,833,647</b>	<b>227,985,593</b>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	8,146,476	2,078,948	10,225,424
Accrued interest payable	430,668	57,005	487,673
Unearned revenue	24,206,888	661,076	24,867,964
Noncurrent liabilities			
Due within one year	6,715,575	638,894	7,354,469
Due in more than one year	72,881,722	8,185,521	81,067,243
<b>TOTAL LIABILITIES</b>	<b>112,381,329</b>	<b>11,621,444</b>	<b>124,002,773</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	(3,971,412)	62,174,254	58,202,842
Restricted	4,099,469	524,009	4,623,478
Unrestricted	33,642,560	7,513,940	41,156,500
<b>TOTAL NET ASSETS</b>	<b>\$ 33,770,617</b>	<b>\$ 70,212,203</b>	<b>\$ 103,982,820</b>

Component Units	
Housing Authority	Business Improvement District
\$ 3,682,313	\$ 48,247
7,851	116,567
-	-
26,626	-
-	-
-	-
3,026	-
-	-
67,983	-
-	-
266,510	-
1,549,774	-
-	-
<u>5,604,083</u>	<u>164,814</u>
196,175	460
-	580
-	-
-	-
-	-
<u>196,175</u>	<u>1,040</u>
1,816,284	-
-	-
<u>3,591,624</u>	<u>163,774</u>
<u>\$ 5,407,908</u>	<u>\$ 163,774</u>



# CITY OF SHEBOYGAN

## STATEMENT OF ACTIVITIES For the Year Ended December 31, 2004

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ 5,214,971	\$ 382,640	\$ 75,030	\$ 1,000
Public safety	17,395,083	1,518,912	153,925	143,695
Public works	6,839,483	1,238,789	2,311,105	20,836
Health and human services	829,601	112,437	-	-
Culture, recreation and education	6,887,354	676,990	866,723	-
Conservation and development	1,731,747	22,207	2,051,187	197,741
Interest and fiscal charges	3,299,611	-	-	-
Total Governmental Activities	42,197,850	3,951,975	5,457,970	363,272
Business Type Activities				
Stormwater	1,201,362	1,046,805	-	1,137,343
Sewerage System	7,172,908	6,061,230	26,512	-
Water	3,433,627	4,672,390	-	511,639
Transit	3,488,950	605,077	1,944,024	38,483
Parking	378,536	384,773	-	-
Boat	69,482	113,736	-	-
Total Business Type Activities	15,744,865	12,884,011	1,970,536	1,687,465
Total primary government	\$ 57,942,715	\$ 16,835,986	\$ 7,428,506	\$ 2,050,737
<b>Component units:</b>				
Business Improvement District	137,802	118,233	17,000	-
Housing Authority	1,483,493	762,803	621,008	-
Total Component Units	\$ 1,621,295	\$ 881,036	\$ 638,008	\$ -

### General Revenues:

#### Taxes:

Property taxes non-TIF

Property taxes, TIF

Other taxes

Intergovernmental revenues not restricted to specific programs

Investment income

Miscellaneous

Total General Revenues

### Transfers

Change in Net Assets

Net Assets - Beginning of Year (restated)

Net Assets - End of Year

Net (Expenses) Revenues and Changes in Net Assets				
Primary government			Component Units	
Governmental Activities	Business Type Activities	Totals	Housing Authority	Business Improvement District
\$ (4,756,301)	\$ -	\$ (4,756,301)	\$ -	\$ -
(15,578,551)	-	(15,578,551)	-	-
(3,268,753)	-	(3,268,753)	-	-
(717,164)	-	(717,164)	-	-
(5,343,641)	-	(5,343,641)	-	-
539,388	-	539,388	-	-
(3,299,611)	-	(3,299,611)	-	-
(32,424,633)	-	(32,424,633)	-	-
-	982,786	982,786	-	-
-	(1,085,166)	(1,085,166)	-	-
-	1,750,402	1,750,402	-	-
-	(901,366)	(901,366)	-	-
-	6,237	6,237	-	-
-	44,254	44,254	-	-
-	797,147	797,147	-	-
(32,424,633)	797,147	(31,627,486)	-	-
-	-	-	-	(2,569)
-	-	-	(99,682)	-
-	-	-	(99,682)	(2,569)
18,151,916	545,000	18,696,916	-	-
4,035,402	-	4,035,402	-	-
1,361,869	-	1,361,869	-	-
12,997,320	-	12,997,320	-	-
1,392,139	191,168	1,583,307	47,711	2,205
320,251	76,472	396,723	32,568	-
38,258,897	812,640	39,071,537	80,279	2,205
631,796	(631,796)	-	-	-
6,466,060	977,991	7,444,051	(19,403)	(364)
27,304,557	69,234,212	96,538,769	5,427,311	164,138
<u>\$ 33,770,617</u>	<u>\$ 70,212,203</u>	<u>\$ 103,982,820</u>	<u>\$ 5,407,908</u>	<u>\$ 163,774</u>

See accompanying notes to financial statements.

# CITY OF SHEBOYGAN

## BALANCE SHEET GOVERNMENTAL FUNDS December 31, 2004

	General	Debt Service GO Debt	Debt Service TIF Districts
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,225,390	\$ 469,489	\$ 3,951,981
Receivables			
Property Taxes	13,473,129	3,040,543	4,887,865
Accounts	252,952	78,783	8,270
Special Assessments	115,744	-	9,395
Loans	-	-	-
Interest	55,177	-	12,441
Due from other governments	11,428	-	-
Due from other funds	1,959,856	1,049,765	56,888
Investments	10,297,235	-	-
Advances due from other funds	1,554,798	4,661,109	-
Inventory	351,854	-	-
Other assets	20,110	-	-
<b>TOTAL ASSETS</b>	<b>\$ 30,317,673</b>	<b>\$ 9,299,689</b>	<b>\$ 8,926,840</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 423,031	\$ -	\$ -
Accrued payroll and other liabilities	819,698	-	-
Due to other funds	11,906	-	-
Deferred revenues	13,662,063	3,040,546	4,900,714
Advances due to other funds	-	-	5,767,242
Accrued compensated absences	3,379,297	-	-
Total Liabilities	<u>18,295,995</u>	<u>3,040,546</u>	<u>10,667,956</u>
Fund Balances (Deficits)			
Reserved	4,593,362	6,259,143	1,322,698
Unreserved, reported in:			
General fund	7,428,316	-	-
Special revenue funds	-	-	-
Debt service funds	-	-	(3,063,814)
Capital project funds	-	-	-
Total Fund Balances	<u>12,021,678</u>	<u>6,259,143</u>	<u>(1,741,116)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 30,317,673</b>	<b>\$ 9,299,689</b>	<b>\$ 8,926,840</b>

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.

Internal Service Funds reported in the statement of net assets as governmental activities

Other long-term assets that are not available to pay for current-period expenditures  
and therefore are deferred in the funds.

Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not  
reported in the funds.

### NET ASSETS OF GOVERNMENTAL FUNDS

Capital Projects TIF Districts	Capital Projects Bonded	Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,845,664	\$ 245,619	\$ 9,138,693	\$ 18,876,836
-		2,808,785	24,210,322
-	-	274,163	614,168
-	-	233,686	358,825
4,000,000	-	7,497,155	11,497,155
1,720	5,702	15,832	90,872
35,741	-	1,563,405	1,610,574
-	-	4,516	3,071,025
-	1,354,174	-	11,651,409
-	-	721,792	6,937,699
-	-	36,343	388,197
-	-	9,152	29,262
<u>\$ 6,883,125</u>	<u>\$ 1,605,495</u>	<u>\$ 22,303,522</u>	<u>\$ 79,336,344</u>

\$ 119,290	\$ 432,985	\$ 619,728	\$ 1,595,034
-	-	677,903	1,497,601
-	-	2,391,136	2,403,042
4,001,200	-	10,511,178	36,115,701
1,165,220	-	67,352	6,999,814
-	-	-	3,379,297
<u>5,285,710</u>	<u>432,985</u>	<u>14,267,297</u>	<u>51,990,489</u>

614,414	330,182	2,881,183	16,000,982
-	-	-	7,428,316
-	-	2,060,309	2,060,309
-	-	-	(3,063,814)
983,001	842,328	3,094,733	4,920,062
<u>1,597,415</u>	<u>1,172,510</u>	<u>8,036,225</u>	<u>27,345,855</u>
<u>\$ 6,883,125</u>	<u>\$ 1,605,495</u>	<u>\$ 22,303,522</u>	

57,814,764

15,960,770

11,908,813

(79,259,585)

\$ 33,770,617

# CITY OF SHEBOYGAN

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2004

	General	Debt Service GO Debt	Debt Service TIF Districts
<b>REVENUES</b>			
Taxes	\$ 12,386,313	\$ 3,665,018	\$ 4,054,593
Intergovernmental grants and aids	15,316,047	-	149,853
Special assessments	94,114	-	17,510
Intergovernmental charges for services	209,835	-	-
Licenses and permits	604,443	-	-
Public charges for services	619,340	-	-
Investment income	254,244	103,317	96,632
Fines, forfeits and penalties	697,103	-	-
Loan repayments	-	-	-
Other	237,931	75,000	9,557
Total Revenues	<u>30,419,370</u>	<u>3,843,335</u>	<u>4,328,145</u>
<b>EXPENDITURES</b>			
Current			
General government	4,466,498	-	-
Public Safety	17,110,100	-	-
Public Works	6,810,867	-	-
Health and human services	384,636	-	-
Culture, recreation and education	2,857,445	-	-
Conservation and development	303,481	-	-
Capital Outlay	-	-	-
Debt service			
Principal	-	3,803,393	2,471,864
Interest and fiscal charges	141,555	994,741	2,047,098
Total expenditures	<u>32,074,582</u>	<u>4,798,134</u>	<u>4,518,962</u>
Excess (deficiency) of revenues over expenditures	<u>(1,655,212)</u>	<u>(954,799)</u>	<u>(190,817)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of capital assets	20,000	-	7,250
Long-term debt issued	-	1,910,000	-
Payment to refunded bond escrow agent	-	(1,900,000)	-
Transfers in	1,190,492	1,262,878	4,025,776
Transfers out	(3,928)	-	(1,516,485)
Total Other Financing Sources (Uses)	<u>1,206,564</u>	<u>1,272,878</u>	<u>2,516,541</u>
<b>Net Change in Fund Balances</b>	(448,648)	318,079	2,325,724
Fund Balance - Beginning of Year	<u>12,470,326</u>	<u>5,941,064</u>	<u>(4,066,840)</u>
<b>FUND BALANCES (DEFICITS) - END OF YEAR</b>	<u>\$ 12,021,678</u>	<u>\$ 6,259,143</u>	<u>\$ (1,741,116)</u>

Capital Projects TIF Districts	Capital Projects Bonded	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 3,443,263	\$ 23,549,187
197,741	-	2,592,303	18,255,944
-	-	174,329	285,953
-	-	-	209,835
-	-	411,879	1,016,322
-	-	1,042,150	1,661,490
71,272	36,157	341,771	903,393
-	-	-	697,103
-	-	567,452	567,452
270,100	5	379,524	972,117
<u>539,113</u>	<u>36,162</u>	<u>8,952,671</u>	<u>48,118,796</u>
-	-	-	4,466,498
-	-	-	17,110,100
-	-	-	6,810,867
-	-	447,662	832,298
-	-	4,232,366	7,089,811
1,347,559	1,980,104	1,995,935	5,627,079
3,023,807	4,487,859	819,944	8,331,610
-	-	-	-
-	-	150,000	6,425,257
178,013	-	35,088	3,396,495
<u>4,549,379</u>	<u>6,467,963</u>	<u>7,680,995</u>	<u>60,090,015</u>
<u>(4,010,266)</u>	<u>(6,431,801)</u>	<u>1,271,676</u>	<u>(11,971,219)</u>
-	-	188,000	215,250
4,283,742	2,565,000	-	8,758,742
-	-	-	(1,900,000)
1,705,000	-	100,000	8,284,146
<u>(1,643,465)</u>	<u>(2,253,772)</u>	<u>(2,231,700)</u>	<u>(7,649,350)</u>
<u>4,345,277</u>	<u>311,228</u>	<u>(1,943,700)</u>	<u>7,708,788</u>
335,011	(6,120,573)	(672,024)	(4,262,431)
<u>1,262,404</u>	<u>7,293,083</u>	<u>8,708,249</u>	<u>31,608,286</u>
<u>\$ 1,597,415</u>	<u>\$ 1,172,510</u>	<u>\$ 8,036,225</u>	<u>\$ 27,345,855</u>

## CITY OF SHEBOYGAN

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2004

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Net change in fund balances - total governmental funds	\$ (4,262,431)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$2,142,673) was less than capital outlays (\$12,506,113) in the current period, less loss on disposal.	10,363,440
--	------------

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(789,152)
--	-----------

Governmental funds report payments received on the sale of fixed assets as revenues. Only the gain on the sale of fixed assets is recorded as a revenue on the statement of activities. This is the amount by which the payments received exceed the gain on the sale.	(799,595)
--	-----------

The collection of special assessments is recorded in the fund financial statements as a revenue when received, while special assessments are recognized in the statement of activities when they are assessed. This amount is the amount the collections exceed the assessments for the current year.	(174,758)
---	-----------

The issuance of loans receivable consumes the current financial resources of governmental funds, while loan payments provides current financial resources. Neither transaction, however, has any effect on net assets.	1,253,090
--	-----------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	96,538
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Internal Service Fund internal receivable/payable between Governmental and Business Type Activities.	(50,648)
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Internal Service Fund gain.	<u>829,576</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 6,466,060</u></u>
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# CITY OF SHEBOYGAN, WISCONSIN

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP) GENERAL FUND For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 12,978,503	\$ 12,978,503	\$ 13,031,791	\$ 53,288
Intergovernmental grants and aids	15,241,467	15,252,435	15,316,047	63,612
Special assessments	80,000	80,000	94,114	14,114
Intergovernmental charges for services	150,850	150,850	209,835	58,985
Licenses and permits	559,928	560,328	604,443	44,115
Public charges for services	549,534	567,284	619,340	52,056
Investment income	227,000	227,000	254,244	27,244
Fines, forfeits and penalties	729,000	729,000	697,103	(31,897)
Other	100,800	178,338	237,931	59,593
Total Revenues	30,617,082	30,723,738	31,064,848	341,110
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
Council	139,537	156,782	149,940	6,842
Mayor	234,532	251,864	251,206	658
City Clerk	285,651	301,435	301,360	75
Elections	74,532	76,000	74,409	1,591
Finance	1,442,766	1,428,925	1,374,004	54,921
Assessor	436,759	455,364	445,893	9,471
Personnel	403,315	409,680	392,867	16,813
City Attorney	351,354	386,490	383,231	3,259
City insurance	174,735	563,509	131,617	431,892
City buildings	874,958	963,901	919,078	44,823
Board of Review	635	635	392	243
Fringe benefits	477,800	410,180	42,501	367,679
	4,896,574	5,404,765	4,466,498	938,267
<b>PUBLIC SAFETY</b>				
Police	9,735,080	10,375,005	10,198,809	176,196
Fire	6,317,723	6,493,420	6,444,109	49,311
Building inspection	486,886	481,862	459,443	22,419
Emergency operations	1,700	2,000	1,969	31
Civil defense	9,298	13,012	5,770	7,242
	16,550,687	17,365,299	17,110,100	255,199



# CITY OF SHEBOYGAN, WISCONSIN

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP) GENERAL FUND For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>PUBLIC WORKS</b>				
Department of Public Works	\$ 325,023	\$ 335,690	\$ 335,512	\$ 178
Engineering	670,987	674,995	674,552	443
Streets	3,486,537	3,324,972	3,190,465	134,507
Sanitation Department	2,614,340	2,588,377	2,588,075	302
Incinerator	14,000	17,191	16,937	254
Boat facilities	7,279	7,270	5,326	1,944
	<u>7,118,166</u>	<u>6,948,495</u>	<u>6,810,867</u>	<u>137,628</u>
<b>HEALTH AND HUMAN SERVICES</b>				
Health	54,245	52,981	52,888	93
Cemetery	305,586	338,729	331,748	6,981
	<u>359,831</u>	<u>391,710</u>	<u>384,636</u>	<u>7,074</u>
<b>CULTURE, RECREATION AND EDUCATION</b>				
Park Department	2,408,613	2,539,935	2,539,262	673
Celebrations	20,303	124,865	87,056	37,809
Senior Citizens Center	237,874	243,943	231,127	12,816
	<u>2,666,790</u>	<u>2,908,743</u>	<u>2,857,445</u>	<u>51,298</u>
<b>CONSERVATION AND DEVELOPMENT</b>				
City development	315,374	311,955	303,481	8,474
<b>DEBT SERVICE</b>				
Debt issue costs	26,030	26,030	22,996	3,034
Receivable adjustments	6,500	26,500	118,559	(92,059)
	<u>32,530</u>	<u>52,530</u>	<u>141,555</u>	<u>(89,025)</u>
<b>CONTINGENCY</b>	<u>75,000</u>	<u>36,253</u>	<u>-</u>	<u>36,253</u>
Total Expenditures	<u>32,014,952</u>	<u>33,419,750</u>	<u>32,074,582</u>	<u>1,345,168</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,397,870)	(2,696,012)	(1,009,734)	1,686,278
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	-	20,000	20,000
Transfers in	124,000	487,000	545,014	58,014
Transfers out	(8,730)	(85,582)	(3,928)	81,654
Net Change in Fund Balance	<u>\$ (1,282,600)</u>	<u>\$ (2,294,594)</u>	<u>(448,648)</u>	<u>\$ 1,845,946</u>
Fund Balance - Beginning of Year			<u>12,470,326</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 12,021,678</u>	

See accompanying notes to financial statements.

# CITY OF SHEBOYGAN

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS December 31, 2004

	Business Type Activities - Enterprise Funds		
	Sewerage System	Water Utility	Storm Water Utility
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 3,657,724	\$ 2,264,559	\$ 110
Receivables			
Property taxes	16,549	-	2,779
Accounts	1,039,139	697,662	178,511
Interest	5,073	12,630	180
Due from other governments	-	-	-
Due from other funds	-	88,231	-
Inventory	-	145,192	-
Other assets	3,985	29,249	-
Restricted Assets			
Cash and cash equivalents	44,755	80,245	-
Total Current Assets	<u>4,767,225</u>	<u>3,317,768</u>	<u>181,580</u>
Noncurrent Assets			
Restricted Assets			
Cash and cash equivalents	536,153	-	-
Investments	-	410,000	-
Capital assets			
Land	2,000	47,981	1,395,109
Other capital assets	64,954,300	32,028,436	20,549,291
Accumulated depreciation	(43,586,748)	(8,792,910)	(6,336,931)
Construction work in progress	3,197,347	3,422,422	-
Other Assets			
Investments	-	-	-
Special assessments receivable	12,918	142,031	-
Advances to other funds	-	-	-
Unamortized debt issue costs	-	5,222	-
Deposit with CVMIC	-	-	-
Total Noncurrent Assets	<u>25,115,970</u>	<u>27,263,182</u>	<u>15,607,469</u>
<b>TOTAL ASSETS</b>	<u>29,883,195</u>	<u>30,580,950</u>	<u>15,789,049</u>

Business Type Activities - Enterprise Funds		Governmental Activities -
Nonmajor Enterprise Funds	Totals	Internal Service Funds
\$ 1,420,407	\$ 7,342,800	\$ 6,356,871
637,074	656,402	-
22,483	1,937,795	4,118
5,677	23,560	48,533
77,730	77,730	-
-	88,231	-
8,035	153,227	-
-	33,234	53,161
-	125,000	-
<u>2,171,406</u>	<u>10,437,979</u>	<u>6,462,683</u>
-	536,153	-
-	410,000	-
868,915	2,314,005	-
11,815,565	129,347,592	9,086,486
(8,695,330)	(67,411,919)	(6,557,692)
-	6,619,769	-
-	-	7,137,828
83,260	238,209	-
67,352	67,352	-
-	5,222	-
-	-	2,205,665
<u>4,139,762</u>	<u>72,126,383</u>	<u>11,872,287</u>
<u>6,311,168</u>	<u>82,564,362</u>	<u>18,334,970</u>

# CITY OF SHEBOYGAN

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS (concluded) December 31, 2004

	Business Type Activities - Enterprise Funds		
	Sewerage System	Water Utility	Storm Water Utility
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	\$ 392,661	\$ 577,556	\$ 114,619
Accrued liabilities	236,571	418,939	8,548
Current portion of long-term debt	-	108,728	-
Accrued interest payable	-	14,027	-
Deferred revenues	9,977	-	-
Due to other funds	62,588	645,785	47,841
Liabilities payable from restricted assets			
Current portion of long-term debt	380,166	150,000	-
Accrued interest payable	26,997	15,981	-
Total Current Liabilities	<u>1,108,960</u>	<u>1,931,016</u>	<u>171,008</u>
Noncurrent Liabilities			
Long-term debt	4,752,923	3,432,598	-
Deferred revenue	5,183	22,847	-
Advances due to other funds	-	-	-
Total noncurrent liabilities	<u>4,758,106</u>	<u>3,455,445</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>5,867,066</u>	<u>5,386,461</u>	<u>171,008</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	19,433,810	23,143,825	15,607,469
Restricted for bond requirements	173,745	350,264	-
Unrestricted	<u>4,408,574</u>	<u>1,700,400</u>	<u>10,572</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 24,016,129</u>	<u>\$ 25,194,489</u>	<u>\$ 15,618,041</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

### NET ASSETS OF BUSINESS TYPE ACTIVITY FUNDS

### NET INTERNAL SERVICE FUNDS REPORTED IN THE STATEMENT OF NET ASSETS AS GOVERNMENTAL ACTIVITIES

Business Type Activities - Enterprise Funds		Governmental Activities -
Nonmajor Enterprise Funds	Totals	Internal Service Funds
\$ 130,081	\$ 1,214,917	\$ 134,399
199,973	864,031	1,540,145
-	108,728	200,200
-	14,027	12,110
623,069	633,046	-
-	756,214	-
-	530,166	-
-	42,978	-
<u>953,123</u>	<u>4,164,107</u>	<u>1,886,854</u>
-	8,185,521	456,610
-	28,030	-
5,237	5,237	-
<u>5,237</u>	<u>8,218,788</u>	<u>456,610</u>
<u>958,360</u>	<u>12,382,895</u>	<u>2,343,464</u>
3,989,150	62,174,254	2,528,794
-	524,009	-
<u>1,363,658</u>	<u>7,483,204</u>	<u>13,462,712</u>
<u>\$ 5,352,808</u>	70,181,467	15,991,506
	<u>30,736</u>	<u>(30,736)</u>
	<u>\$ 70,212,203</u>	
		<u>\$ 15,960,770</u>

# CITY OF SHEBOYGAN

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS For the Year Ended December 31, 2004

	Business Type Activities - Enterprise Funds		
	Sewerage System	Water Utility	Storm Water Utility
<b>OPERATING REVENUES</b>			
Charges for services	\$ 6,049,516	\$ 4,672,390	\$ 1,046,805
Other	-	-	-
Total Operating Revenues	<u>6,049,516</u>	<u>4,672,390</u>	<u>1,046,805</u>
<b>OPERATING EXPENSES</b>			
Personal services	1,611,889	1,384,927	338,708
Contractual services	1,412,348	438,398	163,918
Supplies and material	353,142	596,953	211,074
Depreciation	2,501,073	586,423	383,680
Insurance and other	1,164,512	342,982	103,982
Total Operating Expenses	<u>7,042,964</u>	<u>3,349,683</u>	<u>1,201,362</u>
Operating Income (Loss)	<u>(993,448)</u>	<u>1,322,707</u>	<u>(154,557)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Taxes	-	-	-
Intergovernmental grants and aids	-	-	-
Investment income	95,065	56,019	9,398
Interest and fiscal charges	(155,268)	(108,367)	-
Amortization of debt discount	-	(901)	-
Miscellaneous revenue	38,717	1,140	-
Total Nonoperating Revenues (Expenses)	<u>(21,486)</u>	<u>(52,109)</u>	<u>9,398</u>
Income (loss) before contributions and transfers	<u>(1,014,934)</u>	<u>1,270,598</u>	<u>(145,159)</u>
<b>CAPITAL CONTRIBUTIONS</b>	-	511,639	1,137,343
<b>TRANSFERS IN</b>	-	-	-
<b>TRANSFERS OUT</b>	<u>(20,196)</u>	<u>(625,282)</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	<u>(1,035,130)</u>	<u>1,156,955</u>	<u>992,184</u>
NET ASSETS - Beginning of Year (restated)	<u>25,051,259</u>	<u>24,037,534</u>	<u>14,625,857</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 24,016,129</u>	<u>\$ 25,194,489</u>	<u>\$ 15,618,041</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

### CHANGE IN NET ASSETS OF BUSINESS TYPE ACTIVITIES

Business Type Activities - Enterprise Funds		Governmental Activities -
Nonmajor Enterprise Funds	Totals	Internal Service Funds
\$ 974,196	\$ 12,742,907	\$ 9,184,935
\$ 49,878	49,878	-
<u>1,024,074</u>	<u>12,792,785</u>	<u>9,184,935</u>
2,405,532	5,741,056	549,899
819,771	2,834,435	1,025,486
101,644	1,262,813	13,370
508,255	3,979,431	677,105
101,501	1,712,977	6,681,083
<u>3,936,703</u>	<u>15,530,712</u>	<u>8,946,943</u>
<u>(2,912,629)</u>	<u>(2,737,927)</u>	<u>237,992</u>
545,000	545,000	-
2,023,533	2,023,533	10,485
27,547	188,029	488,743
(265)	(263,900)	(60,944)
-	(901)	-
<u>77,983</u>	<u>117,840</u>	<u>156,300</u>
<u>2,673,798</u>	<u>2,609,601</u>	<u>594,584</u>
(238,831)	(128,326)	832,576
38,483	1,687,465	-
15,282	15,282	-
<u>(1,600)</u>	<u>(647,078)</u>	<u>(3,000)</u>
(186,666)	927,343	829,576
<u>5,539,474</u>		<u>15,161,930</u>
<u>\$ 5,352,808</u>		<u>\$ 15,991,506</u>
	<u>50,648</u>	
	<u>\$ 977,991</u>	

# CITY OF SHEBOYGAN

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2004

	Business Type Activities - Enterprise Funds		
	Sewerage System	Water Utility	Storm Water Utility
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 5,928,357	\$ 4,600,803	\$ 865,515
Payments to suppliers for goods and services	(3,880,956)	(1,511,765)	(316,514)
Payments to employees for services	(1,003,777)	(1,247,622)	(330,160)
Net Cash Flows From Operating Activities	<u>1,043,624</u>	<u>1,841,416</u>	<u>218,841</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfer in	-	-	-
Transfer out	-	-	-
Payments to municipality for tax equivalent	(20,196)	(592,066)	-
Taxes	-	-	-
Advances to other funds	-	-	-
Intergovernmental grants and aids	-	-	-
Net Cash Flows From Noncapital Financing Activities	<u>(20,196)</u>	<u>(592,066)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(455,598)	(3,347,075)	(227,949)
Collection of special assessments	4,143	28,495	-
Capital contributions	-	17,814	-
Issuance of long-term debt	-	2,666,326	-
Principal paid on long-term debt	(368,543)	(150,000)	-
Interest and fees on long-term debt	(157,205)	(96,454)	-
Payments of advances to other funds	-	-	-
Net Cash Flows From Capital and Related Financing Activities	<u>(977,203)</u>	<u>(880,894)</u>	<u>(227,949)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	90,837	52,233	9,218
Investments purchased	-	-	-
Principal paid on long term debt	-	-	-
Interest and fees on long-term debt	-	-	-
Net Cash Flows From Investing Activities	<u>90,837</u>	<u>52,233</u>	<u>9,218</u>
<b>Net Change in Cash and Cash Equivalents</b>	137,062	420,689	110
CASH AND CASH EQUIVALENTS – Beginning of Year	<u>4,101,570</u>	<u>1,924,115</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<u>\$ 4,238,632</u>	<u>\$ 2,344,804</u>	<u>\$ 110</u>



Business Type Activities - Enterprise Funds		Governmental Activities -
Nonmajor Enterprise Funds	Totals	Internal Service Funds
\$ 1,056,306	\$ 12,450,981	\$ 9,369,545
(1,080,313)	(6,789,548)	(7,420,906)
(2,405,532)	(4,987,091)	(551,580)
(2,429,539)	674,342	1,397,059
13,682	13,682	-
-	-	(3,000)
-	(612,262)	-
545,000	545,000	-
-	-	1,992,397
2,023,533	2,023,533	10,485
2,582,215	1,969,953	1,999,882
(226,282)	(4,256,904)	(626,352)
79,399	112,037	-
38,483	56,297	-
-	2,666,326	-
(7,746)	(526,289)	-
(265)	(253,924)	-
(819)	(819)	-
(117,230)	(2,203,276)	(626,352)
24,922	177,210	462,802
-	-	(2,537,828)
-	-	(183,260)
-	-	(65,113)
24,922	177,210	(2,323,399)
60,368	618,229	447,190
1,360,039	7,385,724	5,909,681
<u>\$ 1,420,407</u>	<u>\$ 8,003,953</u>	<u>\$ 6,356,871</u>

See accompanying notes to financial statements.

# CITY OF SHEBOYGAN

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Concluded) For the Year Ended December 31, 2004

	Business Type Activities - Enterprise Funds		
	Sewerage System	Water Utility	Storm Water Utility
<b>Reconciliation of operating income to net cash from operating activities:</b>			
Operating income (loss)	\$ (993,448)	\$ 1,322,707	\$ (154,557)
Miscellaneous revenue	38,717	1,140	-
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
Non cash items included in operating income			
Depreciation	2,501,073	586,423	383,680
Depreciation allocated to other accounts	-	73,296	-
Changes in assets and liabilities			
Accounts receivable	(153,357)	(116,261)	(181,290)
Due from other funds	781	(8,191)	-
Inventory	-	5,230	-
Other assets	(324)	(13,817)	-
Due from other governments	-	-	-
Accounts payable	(341,463)	(49,842)	114,619
Accrued liabilities	(4,936)	40,731	8,548
Due to other funds	-	-	47,841
Deferred revenues	(7,300)	-	-
Due to other governments	3,881	-	-
Net Cash Flows From Operating Activities	<u>\$ 1,043,624</u>	<u>\$ 1,841,416</u>	<u>\$ 218,841</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS</b>			
Cash and cash equivalents - unrestricted	\$ 3,657,724	\$ 2,264,559	\$ 110
Cash and cash equivalents - restricted	<u>580,908</u>	<u>80,245</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS</b>	<u><b>\$ 4,238,632</b></u>	<u><b>\$ 2,344,804</b></u>	<u><b>\$ 110</b></u>
<b>NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Special Assessment levied	<u>\$ -</u>	<u>\$ 2,631</u>	<u>\$ 5,183</u>
Capital assets contributed by city	<u>\$ -</u>	<u>\$ 491,195</u>	<u>\$ -</u>

Business Type Activities - Enterprise Funds		Governmental Activities -
Nonmajor Enterprise Funds	Totals	Internal Service Funds
\$ (2,874,124)	\$ (2,699,422)	\$ 237,992
77,961	117,818	156,300
508,255	3,979,431	677,105
-	73,296	-
(96,956)	(547,864)	28,100
-	(7,410)	210
2,385	7,615	-
3,591	(10,550)	12,105
(22,825)	(22,825)	-
20,036	(256,650)	(86,281)
(83,409)	(39,066)	371,528
-	47,841	-
74,030	66,730	-
-	3,881	-
<u>\$ (2,391,056)</u>	<u>\$ 712,825</u>	<u>\$ 1,397,059</u>
\$ 1,420,407	\$ 7,342,800	\$ 6,356,871
-	661,153	-
<u>\$ 1,420,407</u>	<u>\$ 8,003,953</u>	<u>\$ 6,356,871</u>
\$ -	\$ 7,814	\$ -
\$ -	\$ 491,195	\$ -

# CITY OF SHEBOYGAN

## STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS December 31, 2004

	Agency Funds		
	Property Tax Collection	Business Improvement District	Totals
<b>ASSETS</b>			
Cash and investments	\$ 16,774,748	\$ 4,267	\$ 16,779,015
Receivables			
Taxes receivable	25,637,867	100,099	25,737,966
Interest	-	8	8
 TOTAL ASSETS	 <u>\$ 42,412,615</u>	 <u>\$ 104,374</u>	 <u>\$ 42,516,989</u>
<b>LIABILITIES</b>			
Due to other governments	\$ 42,412,615	\$ -	\$ 42,412,615
Other Liabilities	-	104,374	104,374
TOTAL LIABILITIES	<u>42,412,615</u>	<u>104,374</u>	<u>42,516,989</u>
 <b>NET ASSETS</b>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

# CITY OF SHEBOYGAN

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# CITY OF SHEBOYGAN

## INDEX TO NOTES TO FINANCIAL STATEMENTS December 31, 2004

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# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2004

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of the City of Sheboygan, Wisconsin conform to generally accepted accounting principles as applicable to governmental units.

#### ***A. REPORTING ENTITY***

This report includes all of the funds of the City of Sheboygan. The reporting entity for the city consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that they are legally separate from the government.

#### ***Discretely Presented Component Units***

The government-wide financial statements include both the Housing Authority of the City of Sheboygan ("Housing Authority") and the Harbor Centre Business Improvement District ("District") as component units. They are both legally separate organizations. The governing body's of both are appointed by the city common council. Wisconsin Statutes provide for circumstances whereby the city can impose their will on both, and also create a potential financial benefit to or burden on the city. See Note IV.J. As component units, both financial statements have been presented in a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2004 for the District and for the fiscal year ended March 31, 2004 for the Housing Authority. Separately issued financial statements of the District may be obtained from the District's office at P.O. Box 791, Sheboygan, WI 53082-0791. Separately issued financial statements of the Housing Authority may be obtained from the Housing Authority's office at 611 North Water Street, P.O. Box 1052, Sheboygan, WI 53082-1052.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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#### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS***

##### ***Government-Wide Financial Statements***

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from a legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The city does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

##### ***Fund Financial Statements***

Financial statements of the reporting entity are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements



# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS** (continued)

##### ***Fund Financial Statements*** (continued)

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the city or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or proprietary fund that the city's management believes is particularly important to financial statement users may be reported as a major fund.

The city reports the following major governmental funds:

*General Fund* – accounts for the city's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

*Debt Service General Obligation Debt Fund* – accounts for the accumulation of resources for, and the payments of, the principal and interest on the city's general obligation debt.

*Debt Service Tax Increment Financing Districts Fund* – accounts for the accumulation of resources for, and the payments of, the principal and interest on the city's tax incremental financing debt.

*Capital Projects Tax Increment Financing Districts Fund* – accounts for financial resources to be used for the acquisition of equipment or construction of major capital facilities located in the city's tax increment districts.

*Capital Projects Bonded Fund* – accounts for financial resources acquired through the issuance of long-term debt to be used for the acquisition of equipment or construction of major capital facilities

The city reports the following major enterprise funds:

*Sewerage System* – used to account for the operations of the sanitary sewer system.

*Water Utility* – used to account for the operations of the water system.

*Stormwater Utility* – use to account for the operations of the stormwater system.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS** (continued)

##### **Fund Financial Statements** (continued)

The city reports the following non-major governmental and enterprise funds:

Special Revenue Funds – used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

- Community Development Block Grant
- Revolving Loan funds
- Lead Based Abatement Program
- Mead Library
- Cable TV
- Tourism Promotion
- Harbor Centre Marina
- Police Meg Unit
- Special Assessment
- Redevelopment Authority
- E.H. May Environmental Park

Capital Projects Funds – used to account for financial resources to be used for the acquisition of equipment or construction of major capital facilities.

- Capital Projects Tax Levy

Permanent Funds – used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry.

- Cemetery Perpetual Care
- Library Trust

Enterprise Funds – may be used to report any activity for which a fee is charged to external uses for goods or services, and must be used for activities which meet certain debt or cost recovery criteria.

- Transit Commission
- Parking Utility
- Boat Facility

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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#### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)***

##### ***Fund Financial Statements (continued)***

In addition, the city reports the following fund types:

Internal service funds - used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the city, or to other governmental units, on a cost-reimbursement basis.

- Motor Vehicle
- Data Processing
- Health Self Insurance
- Worker Compensation Self Insurance
- General Liability Self Insurance

Agency Funds - used to account for assets held by the city in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

- Property Tax Collection
- Business Improvement District

#### ***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION***

##### ***Government-Wide Financial Statements***

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

The business-type activities have elected to follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board Pronouncements issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the city's water and sewerage system and storm water utilities, and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2004

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

#### ***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION*** (continued)

##### ***Fund Financial Statements***

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the city considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the city is entitled the resources and the amounts are available. Amounts owed to the city which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The city reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the city has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the city has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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#### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION** (continued)

##### ***Fund Financial Statements*** (continued)

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

The enterprise funds have elected to follow all pronouncements of the Governmental Accounting Standards Board and have elected not to follow Financial Accounting Standards Board pronouncements issued before November 30, 1989. The proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the city's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

##### ***All Financial Statements***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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#### ***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY***

##### ***1. Deposits and Investments***

For purposes of the statement of cash flows, the city considers all highly liquid investments with an initial maturity of three (3) months or less when acquired to be cash equivalents.

Investment of city funds is restricted by state statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three (3) years or less.
2. Bonds or securities of any county, drainage district, technical college district, city, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven (7) years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

Investment of most trust funds including cemetery perpetual care funds is regulated by Chapter 881 of the Wisconsin Statutes. Investment of library trust funds is regulated by Chapter 112. Those sections give broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average investment balances. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one (1) day's notice. At December 31, 2004, the fair value of the city's share of the LGIP's assets was substantially equal to the amount as reported in these financial statements.

See Note IV.A. for further information.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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#### ***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (continued)***

##### ***2. Receivables***

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the city, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying balance sheet.

Property tax calendar – 2004 tax roll:

Lien date and levy date	December 2004
Tax bills mailed	December 2004
Payment in full, or	
First installment due	January 31, 2005
Second installment due to county	July 31, 2005
Personal property taxes in full	January 31, 2005
Tax sale – 2004 delinquent	
real estate taxes	October 2007

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the water and sewerage system and storm water utilities because they have the right by law to place delinquent bills on the tax roll.

During the course of operations transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

The city has received federal and state grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The city records a loan receivable when the loan has been made and funds have been disbursed. All loans are considered collectible and no allowance for uncollectible accounts has been established.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

#### ***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY*** (continued)

##### ***2. Receivables*** (continued)

It is the city's policy to record deferred revenue for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as designated fund balance in the fund financial statements.

##### ***3. Inventories and Prepaid Items***

Governmental fund inventories are recorded at cost based on the average cost method using the consumption method of accounting. Proprietary fund inventories are generally used for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction, operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

##### ***4. Restricted Assets***

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net assets.



# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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#### ***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (continued)***

##### ***5. Capital Assets***

###### ***Government-Wide Statements***

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for both general capital assets and infrastructure assets, and an estimated useful life in excess of one (1) year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Prior to January 2003, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB 34 governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is encouraged but not required until January 1, 2007, when GASB 34 requires the city to retroactively report all major general infrastructure assets acquired since January 1, 1980. For the year ended December 31, 2004, the city has retroactively reported bridges acquired by its governmental fund types. All other infrastructure acquired by governmental fund types has not been retroactively reported.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No capitalized interest was recorded during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. One half (1/2) year of depreciation is recorded on assets placed in service in the first six (6) months of the year. No depreciation is recorded on assets placed in service in the last six (6) months of the year. The range of estimated useful lives by type of asset is as follows:

Buildings and Building Improvements	25-45 Years
Machinery and Equipment	3-25 Years
Utility System	15-108 Years
Infrastructure	20-50 Years

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

#### ***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY*** (continued)

##### ***5. Capital Assets*** (continued)

###### ***Fund Financial Statements***

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

##### ***6. Other Assets***

In governmental funds, debt issuance costs, if any, are recognized as expenditures in the current period. For the government-wide and the proprietary fund type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

##### ***7. Compensated Absences***

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

Employees accumulate vacation, sick leave and other benefits at various rates depending on classification and length of service. Terminated employees are paid for their unused vacation time. Accrued vacation and vested sick pay is recognized as an expenditure or expense as the benefits accrue to the employees and are funded currently.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2004 are determined on the basis of current salary rates and include salary related payments.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

#### ***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (continued)***

##### ***8. Long-Term Obligations/Conduit Debt***

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds payable, and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the issue using the straight-line method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for both premiums/discounts and gains/losses, as applicable, is shown as an increase or decrease in the liability section of the balance sheet.

The city has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the city. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is approximately \$40.6 million, made up of 8 issues.

##### ***9. Claims and Judgments***

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (continued)**

##### **10. Equity Classifications**

###### ***Government–Wide Statements***

Equity is classified as net assets and displayed in three (3) components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the city’s policy to use restricted resources first, then unrestricted resources as they are needed.

###### ***Fund Statements***

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled “designated”. The balance of unreserved fund balance is labeled “undesignated”, which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

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### NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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#### **A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “other long-term assets that are not available to pay for current period expenditures and therefore are deferred in the funds.” The details of this difference are as follows:

Deferred special assessments	\$ 411,658
Loans receivable	<u>11,497,155</u>
	<u>\$ 11,908,813</u>

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Capital assets, net of accumulated depreciation	\$ 59,585,415
Less amounts reported in the Internal Service Funds	<u>(2,528,794)</u>
	<u>\$ 57,056,621</u>

Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities—both current and long-term—are reported in the statement of net assets.

Bonds and notes payable	\$ (66,841,165)
Amounts reported in the Internal Service Fund	\$ 656,810
Other long-term liabilities	(12,756,132)
Accrued interest	(418,558)
Unamortized debt issue costs	<u>99,460</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ (79,259,585)</u>

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

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### NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

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#### ***B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES***

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental* funds and *changes in net assets of governmental* activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “some revenues in the statement of activities do not result in the availability of current financial resources and, therefore, are not reported as revenues in the funds.” The details of this difference are as follows:

Special assessments assessed	\$ 129,155
Special assessments collected	<u>(303,913)</u>
	<u>\$ (174,758)</u>

Another element of that reconciliation states that “the issuance of loans receivable consumes the current financial resources of governmental funds, while the loan payments provides current financial resources. Neither transaction, however, has any effect on net assets.” The details of this difference are as follows:

Loans issued	\$ 1,820,542
Loan payments received	<u>(567,452)</u>
	<u>\$ 1,253,090</u>

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

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### NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

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**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (continued)**

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this difference are as follows:

Debt issued or incurred	
Issuance of general long-term debt	(8,758,742)
Other long-term liabilities	(820,232)
Principal repayments	
General long-term debt	8,273,056
Less amounts reported in the Internal Service Fund	(183,260)
Other long-term liabilities	638,736
Debt issue costs paid	<u>61,290</u>
Net adjustment to decrease <i>net changes in fund balances - total</i> governmental funds to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (789,152)</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.” The details of this difference are as follows:

Accrued interest payable	\$ 123,328
Amortization of debt discount and issuance costs	<u>(26,790)</u>
Net adjustment to decrease <i>net changes in fund balances - total</i> governmental funds to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 96,538</u>

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

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### NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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#### **A. BUDGETARY INFORMATION**

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I.C. except the actual (non-GAAP) revenues presented reflect actual (GAAP) revenues adjusted for the payment in lieu of taxes for the Water Utility reported as a transfer under GAAP.

A budget has been adopted for the General, Special Revenue and Debt Service Funds. Budgets have not been formally adopted for the Capital Projects Fund.

The budgeted amounts presented include any amendments made. The Finance Committee or the Director of Finance may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds council action. Supplemental appropriations during the year were \$ 4,620,869. Appropriations lapse at year-end unless specifically carried over. Budgets are adopted at the department level of expenditures.

#### **B. EXCESS EXPENDITURES OVER APPROPRIATIONS**

The following appropriation units have an excess of actual expenditures over appropriations for the year ended December 31, 2004:

<u>Fund</u>	<u>Amount</u>
Special revenue fund:	
Community Development Bock Grant	\$ 387,406
Special Assessment	105,899
Harbor Center Marina	181,206

#### **C. DEFICIT BALANCES**

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2004, the following individual funds held a deficit balance:

Special Revenue Funds	
Harbor Centre Marina	\$ 1,046,652
Debt Service Funds	
Tax Incremental Financing District	1,741,116

The Tax Incremental Financing District deficit is anticipated to be funded with future incremental taxes levied over the life of the District.

The Harbor Centre Marina deficit is anticipated to be funded over time by an increase in charges for services revenue.



# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

### NOTE IV – DETAILED NOTES ON ALL FUNDS

#### A. DEPOSITS AND INVESTMENTS

The city's deposits and investments are categorized to give an indication of the level of custodial credit risk assumed by the entity at year end. Category 1 includes items that are insured or registered or which are collateralized by or evidenced by securities held by the city or its agent in the city's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the city's name, or uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the city's name. Category 3 includes uncollateralized deposits, and uninsured and unregistered investments, with securities held by the counterparty or its trust department or agent but not in the city's name.

	Category				Carrying Amount/ Fair Value
	1	2	3	Totals	
Local and area banks	\$ 200,000	\$ -	\$ 1,350,281	\$ 1,550,281	\$ 11,466,756
Repurchase Agreements	-	1,239,113	-	1,239,113	-
U.S. Government Securities	19,199,237	-	-	19,199,237	19,199,237
Subtotals	<u>\$ 19,399,237</u>	<u>\$ 1,239,113</u>	<u>\$ 1,350,281</u>	<u>\$ 21,988,631</u>	
Local government investment pool					38,543,328
Petty cash					<u>6,591</u>
Total Deposits and Investments					<u>\$ 69,215,912</u>
Per statement of net assets					
Primary government					
Cash and cash equivalents					\$ 32,326,507
Investments					18,789,237
Restricted cash and cash equivalents					911,153
Restricted investments					410,000
Per statement of fiduciary net assets – fiduciary funds					<u>16,779,015</u>
Total					<u>\$ 69,215,912</u>

The city had no significant type of investment during the year not included in the above schedule.

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and \$100,000 for noninterest bearing accounts.

Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing the amounts in Category 1 above.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

#### A. DEPOSITS AND INVESTMENTS (continued)

Investments in the Wisconsin Local Government Investment Pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool except U.S. Government and agency securities. The bond provides unlimited coverage on principal losses, reduced by any FDIC and State of Wisconsin Guarantee Fund insurance.

Fluctuating cash flows due to tax collections, receipt of state aids and/or proceeds from borrowing may have resulted in uninsured balances during the year significantly exceeding uninsured amounts at year end.

#### B. RECEIVABLES

Receivable amounts not expected to be collected within one year and allowance for uncollectible accounts are as follows:

	General	Debt Service GO Debt	Debt Service TIF Districts	Capital Projects TIF Districts	Nonmajor and Other Funds	Total
Accounts	\$ 111,508	\$ 3,783	\$ -	\$ -	\$ 4,362	\$ 119,653
Special assessments	115,744	-	9,395	-	233,686	358,825
Loans	-	-	-	4,000,000	7,497,155	11,497,155
	<u>\$ 227,252</u>	<u>\$ 3,783</u>	<u>\$ 9,395</u>	<u>\$ 4,000,000</u>	<u>\$ 7,735,203</u>	<u>\$ 11,975,633</u>
Allowance for uncollectible accounts	<u>\$ 120,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,500</u>	<u>\$ 124,254</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Property taxes receivable	\$ -	\$ 24,073,060	\$ 24,073,060
Special assessments not yet due	411,658	-	411,658
Other unearned deposits	-	133,828	133,828
Loans receivable	<u>11,497,155</u>	<u>-</u>	<u>11,497,155</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 11,908,813</u>	<u>\$ 24,206,888</u>	<u>\$ 36,115,701</u>

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

#### **B. RECEIVABLES**

For economic development loans, the city is limited by the Wisconsin Department of Commerce to the amount of program income from economic development loans that it may retain and loan to other businesses. Program income includes interest received from economic development loans repayments. Based upon its current population, the city may retain \$750,000.

At December 31, 2004, the city has not exceeded its maximum retention cap. When it does, a liability to the state will be recorded.

#### **C. RESTRICTED ASSETS**

The following represent the balances of the restricted assets:

##### **Long Term Debt Accounts**

1. *Redemption* – Used to segregate resources accumulated for debt service payments over the next twelve months.
2. *Reserve* – Used to report resources set aside to make up potential future deficiencies in the redemption account.
3. *Depreciation* – Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.

##### **Equipment Replacement Account**

The sewerage system utility established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

Following is a list of restricted assets for the sewerage system utility and water utility at December 31, 2004:

	Sewerage System Utility			Water Utility		
	Liabilities			Liabilities		
	Payable from	Restricted		Payable from	Restricted	
Restricted	Restricted	Net		Restricted	Net	
Assets	Assets	Assets		Assets	Assets	
Bond redemption account	\$ 580,908	\$ 407,163	\$ 173,745	\$ 83,132	\$ 15,981	\$ 67,151
Bond reserve account	-	-	-	257,113	-	257,113
Bond depreciation account	-	-	-	150,000	-	150,000
Totals	<u>\$ 580,908</u>	<u>\$ 407,163</u>	<u>\$ 173,745</u>	<u>\$ 490,245</u>	<u>\$ 15,981</u>	<u>\$ 474,264</u>

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

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#### **D. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2004 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 13,398,348	\$ 88,150	\$ (29,272)	\$ 13,457,226
Construction in progress	<u>324,910</u>	<u>-</u>	<u>(324,910)</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	<u>13,723,258</u>	<u>88,150</u>	<u>(354,182)</u>	<u>13,457,226</u>
Capital assets being depreciated				
Buildings	15,993,939	7,237,904	-	23,231,843
Improvements other than buildings	9,070,469	3,038,006	-	12,108,475
Machinery and equipment	18,839,623	1,442,209	(1,313,314)	18,968,518
Infrastructure	<u>28,880,223</u>	<u>1,326,197</u>	<u>-</u>	<u>30,206,420</u>
Total Capital Assets Being Depreciated	<u>72,784,254</u>	<u>13,044,316</u>	<u>(1,313,314)</u>	<u>84,515,256</u>
Less: Accumulated Depreciation for				
Buildings	(9,968,818)	(480,480)	-	(10,449,298)
Improvements other than buildings	(6,240,683)	(393,440)	-	(6,634,123)
Machinery and equipment	(13,421,060)	(1,311,537)	884,928	(13,847,669)
Infrastructure	<u>(6,046,485)</u>	<u>(651,349)</u>	<u>-</u>	<u>(6,697,834)</u>
Total Accumulated Depreciation	<u>(35,677,046)</u>	<u>(2,836,806)</u>	<u>884,928</u>	<u>(37,628,924)</u>
Net Capital Assets being Depreciated	<u>37,107,208</u>	<u>10,207,510</u>	<u>(428,386)</u>	<u>46,886,332</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 50,830,466</u>	<u>\$ 10,295,660</u>	<u>\$ (782,568)</u>	<u>\$ 60,343,558</u>

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

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#### **D. CAPITAL ASSETS** (continued)

Depreciation expense was charged to functions as follows:

##### **Governmental Activities**

General government	\$ 159,259
Public safety	584,852
Public works	1,115,253
Health and human services	20,004
Culture, recreation and education	635,280
Conservation and development	<u>322,158</u>

Total Governmental Activities Depreciation Expense	<u>\$ 2,836,806</u>
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# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

#### **D. CAPITAL ASSETS** (continued)

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-Type Activities</b>				
Capital assets not being depreciated				
Land	\$ 2,314,005	\$ -	\$ -	\$ 2,314,005
Construction in progress	3,418,171	3,447,243	(245,645)	6,619,769
Total Capital Assets Not Being Depreciated	5,732,176	3,447,243	(245,645)	8,933,774
Capital assets being depreciated				
Buildings and improvements	16,458,846	18,207	-	16,477,053
Improvements other than buildings	39,413,954	1,210,811	(88,885)	40,535,880
Machinery and equipment	29,058,695	463,352	(452,290)	29,069,757
Infrastructure	41,896,643	1,368,262	-	43,264,905
Total Capital Assets Being Depreciated	126,828,138	3,060,632	(541,175)	129,347,595
Less: Accumulated Depreciation for				
Buildings and improvements	(8,914,562)	(389,542)	-	(9,304,104)
Improvements other than buildings	(16,459,310)	(1,554,049)	87,080	(17,926,279)
Machinery and equipment	(21,978,840)	(1,271,203)	447,477	(22,802,566)
Infrastructure	(16,541,040)	(837,933)	-	(17,378,973)
Total Accumulated Depreciation	(63,893,752)	(4,052,727)	534,557	(67,411,922)
Net Capital Assets being Depreciated	62,934,386	(992,095)	(6,618)	61,935,673
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 68,666,562	\$ 2,455,148	\$ (252,263)	\$ 70,869,447

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

#### **D. CAPITAL ASSETS** (continued)

Depreciation expense was charged to functions as follows:

<b>Business-Type Activities</b>	
Sewerage System	\$ 2,501,073
Water	659,719
Stormwater	383,680
Transit Commission	432,448
Parking Utility	64,983
Boat Facility	<u>10,824</u>
Total Business-Type Activities	
Depreciation Expense	<u>\$ 4,052,727</u>

#### **E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

The following is a schedule of interfund receivables and payables including overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Fund - CDBG	\$ 891,573
General Fund	Special Revenue Fund - Lead Grant	388,394
General Fund	Enterprise Fund - Water	645,785
General Fund	Enterprise Fund - Storm Water	34,104
Special Revenue Fund - Mead Library Fund	Permanent Fund - Library Trust	4,516
Debt Service Funds - GO Debt	Special Revenue Fund - Harbor Centre Marina	1,049,765
Debt Service Funds - Convention Center Debt Fund	Special Revenue Fund - Tourism Promotion	56,888
Enterprise Fund - Water Utility	Enterprise Fund - Wastewater	62,588
Enterprise Fund - Water Utility	Enterprise Fund - Storm Water	13,737
Enterprise Fund - Water Utility	General Fund	<u>11,906</u>
Subtotal - Fund Financial Statements		3,159,256
Less: Fund Eliminations		(2,467,461)
Less: Interfund receivables created with internal service fund eliminations		(30,736)
Less: Government-Wide eliminations		(23,812)
Less: Interfund advances		<u>(62,115)</u>
Total Internal Balances - Government-Wide Statement of Net Assets		<u>\$ 575,132</u>

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

#### ***E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS*** (continued)

The principal purpose of these interfunds is to account for the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

For the statement of net assets, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount not Due Within One Year
General Fund	Debt Service Fund - TIF Districts	\$ 742,995	\$ 742,995
	Capital Projects Funds - TIF Districts	806,566	806,566
	Enterprise Fund - Parking Utility	5,237	5,237
Debt Service Fund - GO Debt	Debt Service Fund - TIF Districts	4,422,496	4,422,496
	Capital Projects Funds - TIF Districts	238,613	238,613
Capital Projects Fund - Tax Levy	Debt Service Fund - TIF Districts	601,751	601,751
	Capital Projects Funds - TIF Districts	120,041	120,041
		<u>6,937,699</u>	<u>6,937,699</u>
Enterprise Fund - Boat Facility	Special Revenue Fund Harbor Centre Marina	<u>67,352</u>	<u>67,352</u>
Subtotal - Fund Financial Statements		7,005,051	7,005,051
Less: Fund eliminations		(6,932,462)	(6,932,462)
Less: Government-Wide eliminations		<u>(134,704)</u>	<u>(134,704)</u>
Total - Interfund Advances		<u>\$ (62,115)</u>	<u>\$ (62,115)</u>

The principal purpose of these interfund advances was capital projects.

For the statement of net assets, interfund advance balances which are owed within the governmental activities or business-type activities are netted and eliminated.



# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

#### ***E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS*** (continued)

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount
General Fund	Fiduciary Fund - Cemetery Perpetual Care	\$ 8,854
	Special Revenue Fund - Cable TV	360,000
	Special Revenue Fund - Tourism Promotion	43,967
	Special Revenue Fund - Special Assessment	65,193
	Debt Service Fund - TIF District	64,000
	Internal Service Fund - Motor Vehicle	3,000
	Enterprise Fund - Water	625,282
	Enterprise Fund - Sewer	20,196
Debt Service Fund		
General Obligations	Special Revenue Fund - Cable TV	150,000
	Special Revenue Fund - Special Assessment	100,000
	Special Revenue Fund - Harbor Centre Marina	313,980
	Capital Project Fund - Capital Projects Bonded	698,898
Debt Service Fund - TIF District	General Fund	1,164
	Special Revenue Fund - Harbor Centre Marina	32,031
	Debt Service Fund - TIF District	3,027,786
	Special Revenue Fund- Cable TV	27,000
	Special Revenue Fund- Tourism Promotion	447,921
	Capital Project Fund - Capital Projects Bonded	489,874
Capital Projects Fund - Tax Levy	Special Revenue Fund - Special Assessment	100,000
Capital Projects Fund - TIF District	Capital Projects Fund - Bonded	1,065,000
	Debt Service Fund - TIF District	67,000
	Capital Projects Fund - Tax Levy	573,000
		<u>8,284,146</u>
Enterprise Fund - Parking Utility	General Fund	3,927
	Capital Projects Fund - Tax Levy	9,755
		<u>13,682</u>
Internal Service Fund-Transit	Enterprise Fund - Parking Utility	<u>1,600</u>
Subtotal - Fund Financial Statements		8,299,428
Less: Fund eliminations		(7,635,668)
Less: Government-Wide eliminations		<u>(31,964)</u>
Total Transfers - Government-Wide Statement of Activities		<u>\$ 631,796</u>

Generally, transfers are used to 1) move revenues from the fund that collects them to the fund that the budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and 3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

#### **F. LONG-TERM OBLIGATION**

Long-term obligations activity for the year ended December 31, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General Long-Term Debt					
General Obligation Taxable Bonds	\$ 3,530,000	\$ -	\$ 370,000	\$ 3,160,000	\$ 395,000
General Obligation Refunding Bonds	5,875,070	1,910,000	1,058,260	6,726,810	1,375,200
General Obligation Promissory Notes	28,467,454	3,321,625	5,810,129	25,978,950	3,279,951
General Obligation					
Bond Anticipation Notes	16,110,000	3,200,000	-	19,310,000	-
General Obligation Marina Promissory					
Notes and Bonds	2,035,000	-	175,000	1,860,000	175,000
General Obligation Development Bonds	1,800,000	-	100,000	1,700,000	100,000
General Obligation Corporate					
Purpose Bonds	5,155,000	-	635,000	4,520,000	650,000
Mortgage Notes	516,667	-	-	516,667	-
State Trust Fund loans	2,866,288	327,117	124,667	3,068,738	116,929
Subtotal	<u>66,355,479</u>	<u>8,758,742</u>	<u>8,273,056</u>	<u>66,841,165</u>	<u>6,092,080</u>
Other Long-Term Liabilities					
Section 108 Loan	480,000	-	150,000	330,000	160,000
Sheboygan County	1,000,000	-	-	1,000,000	-
Wisconsin Power and Light	188,495	-	98,392	90,103	90,103
Unfunded retirement liability	10,906,141	820,232	390,344	11,336,029	373,392
Total Other Liabilities	<u>12,574,636</u>	<u>820,232</u>	<u>638,736</u>	<u>12,756,132</u>	<u>623,495</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 78,930,115</u>	<u>\$ 9,578,974</u>	<u>\$ 8,911,792</u>	<u>\$ 79,597,297</u>	<u>\$ 6,715,575</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Clean Water Fund Loans	\$ 5,501,632	\$ -	\$ 368,543	\$ 5,133,089	\$ 380,166
Revenue Bonds	1,175,000	2,666,326	150,000	3,691,326	258,728
Total Business-Type Activities					
Long-Term Liabilities	<u>\$ 6,676,632</u>	<u>\$ 2,666,326</u>	<u>\$ 518,543</u>	<u>\$ 8,824,415</u>	<u>\$ 638,894</u>

# **CITY OF SHEBOYGAN**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2004

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### **NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

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#### ***F. LONG-TERM OBLIGATIONS*** (continued)

##### ***General Obligation Debt***

All general obligation notes and bonds payable are backed by the full faith and credit of the city. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed 5% of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2004, was \$117,655,640. Total general obligation debt outstanding at year end was \$66,324,498.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

#### **F. LONG-TERM OBLIGATIONS** (continued)

##### **General Obligation Debt** (continued)

	Date of Issue	Interest Rate	Final Maturity	Original Indebted- ness	Balance Outstanding 12/31/04
Governmental Activities General Obligation Debt					
Taxable Bonds	3/15/92	8.25-9.00%	3/15/12	\$ 840,000	\$ 510,000
	4/1/91	6.00-8.00	10/ 1/10	5,100,000	2,650,000
					<u>3,160,000</u>
Refunding Bonds	11/1/87	7.00-8.70	4/1/107	2,205,665	656,810
	2/1/93	4.35-5.75	10/1/10	2,735,000	1,485,000
	3/1/95	5.75-6.05	9/1/14	3,580,000	2,675,000
	6/15/04	2.00-2.20	9/1/06	1,910,000	1,910,000
					<u>6,726,810</u>
Promissory Notes	3/15/98	4.20-6.20	10/1/07	3,690,000	2,205,000
	2/15/99	3.75-5.75	10/1/08	3,000,000	2,350,000
	3/15/00	4.90-6.90	10/1/09	4,200,000	3,390,000
	3/15/01	4.25-4.375	10/1/10	2,915,000	2,540,000
	10/15/02	1.55-3.35	4/1/12	1,685,000	1,450,000
	10/15/02	3.50-4.50	4/1/12	3,940,000	3,515,000
	12/23/02	0.00	5/1/22	2,700,000	1,442,325
	7/01/03	1.5-2.85	12/1/12	7,010,000	5,765,000
	4/14/04	0	5/01/23	756,625	756,625
	3/15/04	2.5-3.10	12/01/13	1,500,000	1,500,000
	3/15/04	2.35-3.10	12/01/13	1,065,000	1,065,000
					<u>25,978,950</u>
Bond Anticipation Notes	7/01/03	2.30	6/01/08	2,350,000	2,350,000
	8/01/03	3.00	6/01/08	1,740,000	1,740,000
	11/3/03	3.95	6/01/08	12,020,000	12,020,000
	3/15/04	3.13	6/01/08	3,200,000	3,200,000
					<u>19,310,000</u>
Marina Promissory Notes and Bonds	8/15/97	6.80-6.875	9/1/12	2,210,000	1,860,000
Development Bonds	3/15/01	4.40-5.00	10/1/19	1,900,000	1,700,000
Corporate Purpose Bonds	7/15/94	7.60-8.50	10/1/13	2,010,000	1,160,000
	10/1/94	5.20-7.20	10/1/14	2,555,000	1,520,000
	3/15/95	5.00-7.50	10/1/09	5,465,000	1,840,000
					<u>4,520,000</u>
Mortgage Note - SDC	1/6/95	Variable	Unknown	225,000	225,000
Mortgage Note - Various	10/5/01	3.40	10/16/06	291,667	291,667
					<u>516,667</u>

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

#### **F. LONG-TERM OBLIGATIONS** (continued)

##### **General Obligation Debt** (continued)

	Date of Issue	Interest Rate	Final Maturity	Original Indebtedness	Balance Outstanding 12/31/04
State Trust Fund Loans	7/23/97	5.75 %	3/15/07	\$ 132,000	\$ 46,679
	3/24/00	6.00	3/14/17	604,000	545,000
	10/17/01	5.75	3/15/18	430,000	403,603
	6/19/02	4.50	3/15/12	300,000	247,292
	7/3/02	4.50	3/15/12	2,700,000	246,983
	11/20/02	5.00	3/15/18	1,700,000	1,252,064
	1/13/04	5.00	3/15/18	302,117	302,117
	9/29/04	5.00	3/15/20	25,000	25,000
					<u>3,068,738</u>

Total Government Activities - General Obligation Debt \$ 66,841,165

Debt service requirements to maturity exclusive of the Mortgage Note – SDC are as follows:

Year	Governmental Activities			
	General Obligation Debt		Mortgage Notes	
	Principal	Interest	Principal	Interest
2005	\$ 6,092,080	\$ 2,714,695	\$ -	\$ -
2006	6,487,870	2,465,754	291,667	49,583
2007	6,332,568	2,193,612	-	-
2008	25,262,097	1,624,911	-	-
2009	5,521,365	961,985	-	-
2010-2014	14,044,791	1,885,096	-	-
2015-2019	2,181,707	218,694	-	-
2020-2023	402,020	118	-	-
	<u>\$ 66,324,498</u>	<u>\$ 12,064,865</u>	<u>\$ 291,667</u>	<u>\$ 49,583</u>

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

#### *F. LONG-TERM OBLIGATIONS* (continued)

##### **Revenue Debt**

Revenue bonds are payable only from revenues derived from the operation of the utilities.

Revenue debt payable at December 31, 2004 consists of the following:

<u>Type</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Original Indebted- ness</u>	<u>Balance Outstanding 12/31/04</u>
Clean Water Fund					
Loans	11/30/95	3.124%	5/1/15	4,375,561	\$ 2,845,313
	11/26/96	3.195	5/1/16	3,250,000	<u>2,287,776</u>
					<u>5,133,089</u>
Water Utility Revenue					
Bonds	10/15/89	6.90-9.25	10/15/09	1,240,000	475,000
	11/15/90	6.00-7.30	10/15/10	1,205,000	550,000
	3/10/04	2.75	05/01/23	3,152,000	<u>2,666,326</u>
					<u>3,691,326</u>
					<u>\$ 8,824,415</u>

<u>Year</u>	<u>Business-Type Activities Revenue Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 638,894	\$ 300,383
2006	678,874	276,707
2007	719,313	248,229
2008	735,227	217,420
2009	751,631	186,114
2010-2014	3,122,420	559,544
2015-2019	1,497,289	165,504
2020-2023	<u>680,766</u>	<u>38,077</u>
	<u>\$ 8,824,415</u>	<u>\$ 1,991,977</u>

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

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#### *F. LONG-TERM OBLIGATIONS* (continued)

##### ***Other Debt Information***

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The City believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

Other long-term liabilities of \$1,000,000 were provided by Sheboygan County to assist in developing and construction of the infrastructure of the Marina Boatworks facility. To the extent the city does not recover its initial taxpayer funding contribution through tax incremental revenues, the city will share any surplus cash with Sheboygan County in proportion to the initial taxpayer funding contributions excluding tax incremental revenue effects until the \$1,000,000 has been returned.

Other long-term liabilities of \$330,000 were provided by the U.S. Department of Housing and Urban Development to accelerate the acquisition, relocation of businesses and residents and demolition of blighted structure in the city from the Section 108 Loan Guarantee Program. Payment of the principal and interest on the loan is financed from the city's current and future Community Development Block Grant entitlement programs and program income. Annual principal and interest payments to maturity on the Section 108 loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 160,000	\$ 23,545	\$ 183,545
2006	<u>170,000</u>	<u>12,121</u>	<u>182,121</u>
	<u>\$ 330,000</u>	<u>\$ 35,666</u>	<u>\$ 365,666</u>

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

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#### **G. LEASE DISCLOSURES**

The city has no material leases as lessee or lessor.

#### **H. NET ASSETS/FUND BALANCES**

Governmental activities net assets reported on the government wide statement of net assets at December 31, 2004 includes the following:

##### **Governmental Activities**

Invested in capital assets, net of related debt	
Land	\$ 13,457,226
Other capital assets, net of accumulated depreciation	46,886,332
Less: general long-term debt outstanding	(66,841,165)
Less: other related long-term debt outstanding	(1,000,000)
Plus: non-capital debt proceeds	656,810
Plus: unspent capital related debt proceeds	2,769,925
Plus: unamortized debt issue costs	<u>99,460</u>
Total Invested in Capital Assets, Net of Related Debt	(3,971,412)
Restricted for	
Debt Service	4,099,469
Unrestricted	<u>33,642,560</u>
Total Governmental Activities Net Assets	<u>\$ 33,770,617</u>



# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

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#### **H. NET ASSETS/FUND BALANCES (continued)**

Governmental fund balances on the fund financial statements at December 31, 2004 include the following:

<b>Reserved</b>	
Major Fund	
General Fund	
Encumbrances	\$ 168,436
Non-current assets	2,836,926
Projects	550,000
Subsequent years expenditures	<u>1,038,000</u>
Total	<u>\$ 4,593,362</u>
Debt Service GO Debt Fund	
Debt Service	<u>\$ 6,259,143</u>
Debt Service GO TIF District	
Debt Service	<u>\$ 1,322,698</u>
Capital Projects Bonded	
Debt Service	<u>\$ 330,182</u>
Capital Projects TIF District	
Debt Service	<u>\$ 614,414</u>
Non-Major Funds	
Special Revenue Fund	
Community Development Block Grant	
Encumbrances	<u>\$ 195,293</u>
Mead Library	
Insurance Claims	<u>\$ 110,779</u>
Harbor Centre Marina	
Encumbrances	<u>\$ 225,000</u>
E.H. May Environmental Park	
Trust Activities	<u>\$ 64,965</u>
Capital Projects Funds	
Capital Projects Tax Levy	
Encumbrances	<u>\$ 725,868</u>
Permanent Fund	
Cemetery Perpetual Care	\$ 717,499
Library trust	<u>841,779</u>
	<u>\$ 1,559,278</u>
Total non-major funds	<u>\$ 2,881,183</u>

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

---

### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

---

#### **H. NET ASSETS/FUND BALANCES (continued)**

##### **Unreserved**

##### Major Funds

##### General Fund

Designated for subsequent year budget appropriations	\$ 18,324
Undesignated	<u>7,409,992</u>
	<u>\$ 7,428,316</u>

Debt Service Fund - Undesignated \$ (3,063,814)

Capital Projects TIF District - Undesignated \$ 983,001

Capital Projects Bonded - Undesignated \$ 842,328

##### Non-Major Funds

##### Special Revenue Funds

##### Designated for subsequent year budget appropriation

Mead Library \$ 369,427

##### Designated for equipment purchases

Cable TV 106,230

##### Undesignated

Community Development Block Grant 895,048

Revolving Loan Funds 509,616

Abatement Program 35,890

Mead Library 199,689

Cable TV 436,875

Tourism Promotion 45,127

Harbor Centre Marina (1,271,652)

Police Meg Unity 27,840

Special Assessment 624,132

Redevelopment Authority 82,087

Total 1,584,652

Total Special Revenue Funds \$ 2,060,309

##### Capital Projects Funds

##### Designated for projects

Capital Project Tax Levy \$ 1,164,230

##### Undesignated

Capital Project Tax Levy 1,930,503

Total Capital Projects Funds \$ 3,094,733

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

---

### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

---

#### **H. NET ASSETS/FUND BALANCES** (continued)

##### **Business-Type Activities**

Invested in capital assets, net of related debt	
Construction in progress	\$ 6,619,769
Land	2,314,005
Other capital assets, net of accumulated depreciation	61,935,673
Less: related long-term debt outstanding	(8,824,415)
Plus: unamortized debt issue costs	5,222
Plus: unspent capital related debt proceeds	<u>124,000</u>
Total Invested in Capital Assets, Net of Related Debt	62,174,254
 Restricted for	
Bond requirements	774,009
 Unrestricted	<u>7,263,940</u>
 Total Net Assets	<u>\$ 70,212,203</u>

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

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#### ***I. RESTATEMENT OF FUND BALANCES/NET ASSETS***

The city has restated its December 31, 2003 fund balance/net assets as follows to reflect certain adjustments as noted. The effect of these adjustments is as follows:

	Governmental Activities	Enterprise Funds	
		Sewerage System	Stormwater
Fund Balance/Net Assets, December 31, 2003 (as previously reported)	\$ 12,547,735	\$ 13,292,500	\$ -
Add (Deduct)			
Remove Stormwater assets capitalized as Governmental Activities	(2,874,429)	-	-
Retroactively report bridges infrastructure	23,677,736	-	-
Retroactively report accumulated depreciation on bridges infrastructure	(6,046,485)	-	-
Retroactively report sewer infrastructure	-	22,341,017	-
Retroactively report accumulated depreciation on sewer infrastructure	-	(10,582,258)	-
Retroactively report stormwater land	-	-	1,395,109
Retroactively report stormwater infrastrucutre	-	-	19,183,999
Retroactively report accumulated depreciation on stormwater infrastrucutre	-	-	(5,953,251)
Fund Balance/Net Assets, December 31, 2003 (as restated)	<u>\$ 27,304,557</u>	<u>\$ 25,051,259</u>	<u>\$ 14,625,857</u>

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

---

### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

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#### **J. COMPONENT UNITS**

This report contains the Housing Authority of the City of Sheboygan and the Harbor Centre Business Improvement District, which are included as component units. Financial information for both is presented as a separate column in the statement of net assets and statement of activities.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

Information related to the Housing Authority of the City of Sheboygan is as follows:

#### **A. SIGNIFICANT ACCOUNTING POLICIES**

1. The Housing Authority follows the accrual basis of accounting.
2. Temporary cash investments are stated at cost which approximates fair value.
3. Fixed assets are recorded at original cost. The provision for depreciation was computed under the straight-line method over the useful lives of the assets.

#### **B. DEPOSITS AND INVESTMENTS**

The Authority's deposits and investments are categorized to give an indication of the level of custodial credit risk assumed by the entity at year end. Category 1 includes items that are insured or registered or which are collateralized by or evidenced by securities held by the Authority or its agent in the Authority's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name, or uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the Authority's name. Category 3 includes uncollateralized deposits, and uninsured and unregistered investments, with securities held by the counterparty or its trust department or agent but not in the Authority's name.

	Category				Carrying Amount/ Fair Value
	1	2	3	Totals	
Local and area banks	\$ 300,000	\$ -	\$ -	\$ 300,000	\$ 300,000
Securities	<u>3,455,172</u>	<u>-</u>	<u>-</u>	<u>3,455,172</u>	<u>3,450,296</u>
Total	<u>\$ 3,755,172</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,755,172</u>	<u>\$ 3,750,296</u>
Per statement of net assets					
Unrestricted					\$ 3,682,313
Restricted					<u>67,983</u>
Total					<u>\$ 3,750,296</u>

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

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### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

---

#### **J. COMPONENT UNITS** (continued)

##### **C. CAPITAL ASSETS**

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 266,510	-	-	266,510
Capital assets being depreciated				
Buildings and improvements	6,071,458	-	-	6,071,458
Machinery and equipment	284,354	12,116	(13,108)	283,362
Total Capital Assets Being Depreciated	6,355,812	12,116	(13,108)	6,354,820
Less: Accumulated Depreciation	(4,627,369)	(190,243)	12,566	(4,805,046)
Net Capital Assets being Depreciated	1,728,443	(178,127)	(542)	1,549,774
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,994,953</u>	<u>\$ (178,127)</u>	<u>\$ (542)</u>	<u>\$ 1,816,284</u>

Accumulated depreciation is not available by class or function.

Information related to the Business Improvement District is as follows:

#### **A. SIGNIFICANT ACCOUNTING POLICIES**

1. The Business Improvement District follows the modified accrual basis of accounting.
2. Temporary cash investments are stated at cost which approximates fair value.

#### **B. DEPOSITS AND INVESTMENTS**

Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to the statutory amount for demand deposits and time deposits. At year end, the carrying amount of the District's deposits was \$48,247, and the bank balance was \$48,247. The entire bank balance was covered by Federal depository insurance.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

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### NOTE V – OTHER INFORMATION

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#### ***A. EMPLOYEES' RETIREMENT SYSTEM***

All eligible city employees participate in the Wisconsin Retirement System ("System"), a cost-sharing multiple-employer defined benefit public employee retirement system ("PERS"). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the general category are required by statute to contribute 5.4% of their salary (2.6% for executives and elected officials, 4.0% for protective occupations with social security, and 2.4% for protective occupations without social security) to the plan. Employers may make these contributions to the plan on behalf of the employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for employees covered by the System for the year ended December 31, 2004 was \$24,980,608; the employer's total payroll was \$25,721,386. The total required contribution paid entirely by the employer for the year ended December 31, 2004 was \$3,351,498 or 13.41% of covered payroll. Of the total required contribution, 100% was contributed for the current year. Total contributions for the years ended December 31, 2003 and 2002 were \$3,021,140 and \$2,958,596, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees) are entitled to receive retirement benefits. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefits are: 1) final average earnings, 2) years of creditable service, and 3) a formula factor. Final Average Earnings is the average of the employee's three (3) highest year's earnings. Employees terminating covered employment before becoming eligible for retirement benefits may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefits. For employees beginning participation after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five (5) years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits are determined under Chapter 40 of the Wisconsin Statutes. The System issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

The pension related debt for the city as of December 31, 2004, was \$11,336,029. This amount is included in the financial statements as the city's best estimate of its unfunded commitment to the plan. This liability was determined in accordance with provisions of GASB 27 regarding pension-related debt. Depending on actuarial assumptions, this estimate can vary significantly.

The city currently provides contributions to the Wisconsin Retirement System for employees formerly covered under the city-sponsored and administered Police-Fire pension fund. This fund was terminated by State Statute in a prior year. In accordance with the statute terminating the pension funds, the city chose a "pay-as-you-go" basis for pension contributions in which payments are made to the Wisconsin Retirement Fund as the benefits become due and payable to the participants of the old plan. The total expenditures for 2004 was \$149,379.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2004

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### NOTE V – OTHER INFORMATION (continued)

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#### ***B. RISK MANAGEMENT***

The city is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The city participates in a public entity risk pool called Cities and Villages Mutual Insurance Company to provide coverage for losses from torts; theft of, damage to, or destruction of assets; errors and omission. However, other risks, such as workers compensation and health care of its employees are accounted for and financed by the city in health self insurance internal service fund and the workers compensation self insurance internal service fund.

#### ***Self Insurance***

For health insurance claims, the uninsured risk of loss is \$100,000 per person and a minimum annual aggregate deductible of \$7,685,384 for the 2004 policy year. The city has purchased commercial insurance for claims in excess of those amounts. Settled claims have exceeded the commercial coverage for the individual stop-loss but not the aggregate deductible during any of the past three (3) years.

For workers compensation claims, the uninsured risk of loss is \$350,000 per Police/Fire incident and \$300,000 for all other incidents. The city has purchased commercial insurance for claims in excess of those amounts. Settled claims have not exceeded the commercial coverage in any of the past three (3) years.

All funds of the city participate in the risk management program. Amounts payable to the internal service funds are based on actuarial estimates of the amounts necessary to pay prior and current year claims and to establish a reserve for catastrophic losses. \$1,868,088 was designated for that reserve at year end, and is included in unreserved net assets of the internal service fund.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for health insurance and workers compensation claims that have been incurred but not reported.

	<u>Year</u>	<u>Balance Beginning of Year</u>	<u>Current Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance End of Year</u>
Health Insurance					
	2004	\$ 880,000	6,233,348	6,133,348	980,000
	2003	760,000	5,651,468	5,531,468	880,000
Workers Compensation					
	2004	\$ 50,000	282,721	232,721	100,000
	2003	50,000	98,972	98,972	50,000



# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2004

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### NOTE V – OTHER INFORMATION (continued)

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#### **B. RISK MANAGEMENT** (continued)

##### ***Public Entity Risk Pool***

##### ***Wisconsin Municipal Insurance Commission (WMIC) Cities and Villages Mutual Insurance Company (CVMIC)***

The WMIC is an intergovernmental cooperation commission created by contract under Section 66.30 of the Wisconsin Statutes. It was created in August, 1987 for the purpose of facilitating the organization, establishment and capitalization of the CVMIC, and has numerous cities and villages as members.

The CVMIC is a municipal mutual insurance company established on September 19, 1987 under Section 611.23 of the Wisconsin Statutes. The CVMIC provides liability insurance coverage to the cities and villages which make up the membership of the WMIC.

The WMIC provided for the capitalization of the CVMIC through the issuance of \$28,645,000 of WMIC revenue bonds, dated November 11, 1987 and refinanced on December 15, 1997 in the amount of \$22,800,000. The bonds are due in varying installments starting in 1998 and ending in 2007. Interest rates vary from 5.74% to 6.47%. The underlying security for the revenue bonds are general obligation bonds of each of the cities and villages participating in the enterprise. Each city and village assumed a proportionate share of the revenue bond obligation and delivered its general obligation bond in that proportionate amount to the WMIC. The principal and interest payments made by each municipality to the WMIC on its general obligation bond provides the revenue stream to make the principal and interest payments on the WMIC revenue bonds.

The CVMIC is self-insured up to a maximum of \$2,000,000 of each insurance risk. Losses paid by CVMIC plus administrative expenses will be recovered through premiums to the participating pool of municipalities. The city's share of such losses is approximately 4.8%.

Management of each organization consists of a board of directors or officers comprised of representatives elected by each of three (3) classes of participants based on population. The city does not exercise any control over the activities of the agencies beyond the election of the officers and board.

Financial statements of WMIC and CVMIC are available from: Cities and Village Mutual Insurance Company, 1250 South Sunnyslope Road, Suite 105, Brookfield, WI 53005.

The city shows the general obligation bond that it owes to WMIC in the general liability self insurance internal service fund and governmental activities column of government-wide statement of net assets in the amount of \$656,810. The initial investment in WMIC is refundable upon withdrawal from the commission and has been reported at the original amount of \$2,205,665 in the general liability self insurance internal service fund.

The city pays an annual premium to the mutual for its general liability insurance, which provides coverage up to \$5,000,000 per occurrence, less the city's retained liability. The city's retained liability is limited to \$75,000 per occurrence and an annual aggregate limit of \$300,000.

# **CITY OF SHEBOYGAN**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2004

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### **NOTE V – OTHER INFORMATION (continued)**

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#### ***C. COMMITMENTS AND CONTINGENCIES***

From time to time, the city is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the city Attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the city's financial position or results of operations.

The city has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

#### ***D. OTHER POSTEMPLOYMENT BENEFITS***

The city provides certain health care benefits for retired employees depending upon classification. Substantially all of the city's employees may become eligible for those benefits if they reach normal retirement age while working for the city. The cost of retiree health care benefits is recognized as an expenditure as premiums/claims are paid. For 2004, these costs totaled approximately \$97,267 for 15 retired employees.

## **SUPPLEMENTAL INFORMATION**

**CITY OF SHEBOYGAN**  
NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET  
Friday, December 31, 2004

	Special Revenue Funds				
	Community Development Block Grant	Revolving Loans Funds	Lead Based Abatement Program	Mead Library	Cable TV
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,266,505	\$ 507,754	\$ -	\$ 1,313,533	\$ 452,450
Receivables	-	-	-	-	-
Property taxes	-	-	-	2,718,515	-
Special assessments	-	-	-	-	-
Accounts	-	-	-	2,196	107,230
Loans	3,293,101	2,864,050	-	-	-
Interest	-	1,862	-	5,874	2,231
Due from other governments	1,058,825	-	470,936	-	-
Due from other funds	-	-	-	4,516	-
Inventory	-	-	-	-	-
Advances due from other funds	-	-	-	-	-
Other assets	3,200	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 5,621,631</b>	<b>\$ 3,373,666</b>	<b>\$ 470,936</b>	<b>\$ 4,044,634</b>	<b>\$ 561,911</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 346,615	\$ -	\$ 46,652	\$ 50,447	\$ 10,898
Accrued liabilities	-	-	-	595,777	7,908
Due to other funds	891,573	-	388,394	-	-
Advances due to other funds	-	-	-	-	-
Deferred revenues	3,293,102	2,864,050	-	2,718,515	-
Total Liabilities	4,531,290	2,864,050	435,046	3,364,739	18,806
Fund Balances (Deficit)					
Reserved	195,293	-	-	110,779	-
Unreserved					
Designated	-	-	-	369,427	106,230
Undesignated	895,048	509,616	35,890	199,689	436,875
Total Fund Balances	1,090,341	509,616	35,890	679,895	543,105
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,621,631</b>	<b>\$ 3,373,666</b>	<b>\$ 470,936</b>	<b>\$ 4,044,634</b>	<b>\$ 561,911</b>

Special Revenue Funds						Total Nonmajor Special Revenue Funds
Tourism Promotion	Harbor Center Marina	Police Meg Unit	Special Assessment	Redevelopment Authority	E.H. May Environmental Park	
\$ 36,808	\$ 108,975	\$ 896	\$ 590,967	\$ 84,152	\$ 65,835	\$ 4,427,875
-	-	-	90,270	-	-	2,808,785
-	-	-	188,370	45,316	-	233,686
130,572	17,537	-	-	2,210	-	259,745
-	-	-	-	1,340,004	-	7,497,155
1,567	899	46	2,506	322	244	15,551
-	-	33,644	-	-	-	1,563,405
-	-	-	-	-	-	4,516
-	36,343	-	-	-	-	36,343
-	-	-	-	-	-	-
-	5,952	-	-	-	-	9,152
<u>\$ 168,947</u>	<u>\$ 169,706</u>	<u>\$ 34,586</u>	<u>\$ 872,113</u>	<u>\$ 1,472,004</u>	<u>\$ 66,079</u>	<u>\$ 16,856,213</u>
\$ 66,920	\$ 25,187	\$ 6,594	\$ -	\$ 2,387	\$ 1,114	\$ 556,814
12	74,054	152	-	-	-	677,903
56,888	1,049,765	-	-	-	-	2,386,620
-	67,352	-	-	-	-	67,352
-	-	-	247,981	1,387,530	-	10,511,178
<u>123,820</u>	<u>1,216,358</u>	<u>6,746</u>	<u>247,981</u>	<u>1,389,917</u>	<u>1,114</u>	<u>14,199,867</u>
-	225,000	-	-	-	64,965	596,037
-	-	-	-	-	-	475,657
45,127	(1,271,652)	27,840	624,132	82,087	-	1,584,652
<u>45,127</u>	<u>(1,046,652)</u>	<u>27,840</u>	<u>624,132</u>	<u>82,087</u>	<u>64,965</u>	<u>2,656,346</u>
<u>\$ 168,947</u>	<u>\$ 169,706</u>	<u>\$ 34,586</u>	<u>\$ 872,113</u>	<u>\$ 1,472,004</u>	<u>\$ 66,079</u>	<u>\$ 16,856,213</u>

**CITY OF SHEBOYGAN**  
NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (concluded)  
Friday, December 31, 2004

	Capital Projects Fund	Permanent Funds		Total Nonmajor Permanent Funds	Total Nonmajor Governmental Funds
	Capital Projects Tax Levy	Cemetery Perpetual Care	Library Trust		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,148,836	\$ 715,050	\$ 846,932	\$ 1,561,982	\$ 9,138,693
Receivables					
Property taxes	-	-	-	-	2,808,785
Special assessments	-	-	-	-	233,686
Accounts	12,056	2,362	-	2,362	274,163
Loans	-	-	-	-	7,497,155
Interest	-	87	194	281	15,832
Due from other governments	-	-	-	-	1,563,405
Due from other funds	-	-	-	-	4,516
Inventory	-	-	-	-	36,343
Advances due from other funds	721,792	-	-	-	721,792
Other assets	-	-	-	-	9,152
<b>TOTAL ASSETS</b>	<b>\$ 3,882,684</b>	<b>\$ 717,499</b>	<b>\$ 847,126</b>	<b>\$ 1,564,625</b>	<b>\$ 22,303,522</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 62,083	\$ -	\$ 831	\$ 831	\$ 619,728
Accrued liabilities	-	-	-	-	677,903
Due to other funds	-	-	4,516	4,516	2,391,136
Advances due to other funds	-	-	-	-	67,352
Deferred revenues	-	-	-	-	10,511,178
Total Liabilities	<u>62,083</u>	<u>-</u>	<u>5,347</u>	<u>5,347</u>	<u>14,267,297</u>
Fund Balances (Deficit)					
Reserved	725,868	717,499	841,779	1,559,278	2,881,183
Unreserved					
Designated	1,164,230	-	-	-	1,639,887
Undesignated	<u>1,930,503</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,515,155</u>
Total Fund Balances	<u>3,820,601</u>	<u>717,499</u>	<u>841,779</u>	<u>1,559,278</u>	<u>8,036,225</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,882,684</b>	<b>\$ 717,499</b>	<b>\$ 847,126</b>	<b>\$ 1,564,625</b>	<b>\$ 22,303,522</b>

**CITY OF SHEBOYGAN**  
NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
For the Year Ended December 31, 2004

	Special Revenue Funds				
	Community Development Block Grant	Revolving Loan Funds	Lead Based Abatement Program	Mead Library	Cable TV
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ 2,555,515	\$ -
Intergovernmental grants and aids	1,320,251	-	486,650	547,301	-
Special assessments	-	-	-	-	-
Licenses and permits	-	-	-	-	411,879
Public charges for services	-	-	-	84,878	9,472
Investment income	14,317	77,102	-	41,920	9,526
Loan repayments	296,561	270,891	-	-	-
Other	49,447	-	-	262,193	788
Total Revenues	<u>1,680,576</u>	<u>347,993</u>	<u>486,650</u>	<u>3,491,807</u>	<u>431,665</u>
<b>EXPENDITURES</b>					
Current					
Health and human services	-	-	446,860	-	-
Culture, recreation and education	-	-	-	3,280,935	113,992
Conservation and development	1,372,596	173,640	-	-	-
Capital Outlay	149,634	-	3,900	165,911	11,931
Debt Service			-		
Principal	150,000	-	-	-	-
Interest	34,270	-	-	-	-
Total Expenditures	<u>1,706,500</u>	<u>173,640</u>	<u>450,760</u>	<u>3,446,846</u>	<u>125,923</u>
Excess (Deficiency) of Revenues Over Expenditures	(25,924)	174,353	35,890	44,961	305,742
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(537,000)
Net Change in Fund Balances	(25,924)	174,353	35,890	44,961	(231,258)
FUND BALANCES (DEFICITS) - Beginning of year	<u>1,116,265</u>	<u>335,263</u>	<u>-</u>	<u>634,934</u>	<u>774,363</u>
<b>FUND BALANCES (DEFICITS) - END OF YEAR</b>	<u>\$ 1,090,341</u>	<u>\$ 509,616</u>	<u>\$ 35,890</u>	<u>\$ 679,895</u>	<u>\$ 543,105</u>

Special Revenue Funds						Total Nonmajor Special Revenue Funds
Tourism Promotion	Harbor Center Marina	Police Meg Unit	Special Assessment	Redevelopment Authority	E.H. May Environmental Park	
\$ 887,577	\$ 171	\$ -	\$ -	\$ -	\$ -	\$ 3,443,263
-	-	73,571	-	-	-	2,427,773
-	-	-	174,329	-	-	174,329
-	-	-	-	-	-	411,879
-	912,168	-	-	-	24,941	1,031,459
4,205	4,369	317	42,419	1,663	1,250	197,088
-	-	-	-	-	-	567,452
5,049	-	9	2,115	13,310	18,213	351,124
<u>896,831</u>	<u>916,708</u>	<u>73,897</u>	<u>218,863</u>	<u>14,973</u>	<u>44,404</u>	<u>8,604,367</u>
-	-	-	-	-	-	446,860
-	710,876	48,460	-	-	41,734	4,195,997
398,848	-	-	22,893	27,958	-	1,995,935
-	-	17,387	17,814	-	-	366,577
-	-	-	-	-	-	150,000
-	818	-	-	-	-	35,088
<u>398,848</u>	<u>711,694</u>	<u>65,847</u>	<u>40,707</u>	<u>27,958</u>	<u>41,734</u>	<u>7,190,457</u>
497,983	205,014	8,050	178,156	(12,985)	2,670	1,413,910
-	-	-	178,000	10,000	-	188,000
-	-	-	-	-	-	-
<u>(491,887)</u>	<u>(346,011)</u>	<u>-</u>	<u>(265,193)</u>	<u>-</u>	<u>-</u>	<u>(1,640,091)</u>
6,096	(140,997)	8,050	90,963	(2,985)	2,670	(38,181)
<u>39,031</u>	<u>(905,655)</u>	<u>19,790</u>	<u>533,169</u>	<u>85,072</u>	<u>62,295</u>	<u>2,694,527</u>
<u>\$ 45,127</u>	<u>\$ (1,046,652)</u>	<u>\$ 27,840</u>	<u>\$ 624,132</u>	<u>\$ 82,087</u>	<u>\$ 64,965</u>	<u>\$ 2,656,346</u>



**CITY OF SHEBOYGAN**  
NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES (concluded)  
For the Year Ended December 31, 2004

	Capital Projects Funds	Permanent Funds		Total Nonmajor Permanent Funds	Total Nonmajor Governmental Funds
	Capital Projects Tax Levy	Cemetery Perpetual Care	Library Trust		
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,443,263
Intergovernmental grants and aids	164,530	-	-	-	2,592,303
Special assessments	-	-	-	-	174,329
Licenses and permits	-	-	-	-	411,879
Public charges for services	-	10,691	-	10,691	1,042,150
Investment income	124,644	8,908	11,131	20,039	341,771
Loan repayments	-	-	-	-	567,452
Other	28,400	-	-	-	379,524
Total Revenues	<u>317,574</u>	<u>19,599</u>	<u>11,131</u>	<u>30,730</u>	<u>8,952,671</u>
<b>EXPENDITURES</b>					
Current					
Health and human services	-	802	-	802	447,662
Culture, recreation and education	22,233	-	14,136	14,136	4,232,366
Conservation and development	-	-	-	-	1,995,935
Capital Outlay	453,367	-	-	-	819,944
Debt Service					
Principal	-	-	-	-	150,000
Interest	-	-	-	-	35,088
Total Expenditures	<u>475,600</u>	<u>802</u>	<u>14,136</u>	<u>14,938</u>	<u>7,680,995</u>
Excess (Deficiency) of Revenues Over Expenditures	(158,026)	18,797	(3,005)	15,792	1,271,676
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of capital assets	-	-	-	-	188,000
Transfers in	100,000	-	-	-	100,000
Transfers out	(582,755)	(8,854)	-	(8,854)	(2,231,700)
Net Change in Fund Balances	(640,781)	9,943	(3,005)	6,938	(672,024)
FUND BALANCES (DEFICITS) - Beginning of year	<u>4,461,382</u>	<u>707,556</u>	<u>844,784</u>	<u>1,552,340</u>	<u>8,708,249</u>
<b>FUND BALANCES (DEFICITS) - END OF YEAR</b>	<u>\$ 3,820,601</u>	<u>\$ 717,499</u>	<u>\$ 841,779</u>	<u>\$ 1,559,278</u>	<u>\$ 8,036,225</u>

**CITY OF SHEBOYGAN**  
**NONMAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
December 31, 2004

	Transit Commission	Parking Utility	Boat Utility	Totals
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 679,115	\$ 402,162	\$ 339,130	\$ 1,420,407
Receivables				
Property taxes	637,074	-	-	637,074
Accounts	21,413	1,067	3	22,483
Interest	2,673	1,753	1,251	5,677
Due from other governments	77,730	-	-	77,730
Inventory	8,035	-	-	8,035
Total Current Assets	<u>1,426,040</u>	<u>404,982</u>	<u>340,384</u>	<u>2,171,406</u>
Noncurrent Assets				
Capital assets				
Land	35,753	833,162	-	868,915
Other capital assets	10,009,359	1,580,244	225,962	11,815,565
Accumulated depreciation	(7,161,155)	(1,318,557)	(215,618)	(8,695,330)
Other Assets				
Special assessments receivable	-	83,260	-	83,260
Advances to other funds	-	-	67,352	67,352
Total Noncurrent Assets	<u>2,883,957</u>	<u>1,178,109</u>	<u>77,696</u>	<u>4,139,762</u>
<b>TOTAL ASSETS</b>	<u>4,309,997</u>	<u>1,583,091</u>	<u>418,080</u>	<u>6,311,168</u>

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	<u>Transit Commission</u>	<u>Parking Utility</u>	<u>Boat Utility</u>	<u>Totals</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	\$ 105,487	\$ 19,318	\$ 5,276	\$ 130,081
Accrued liabilities	171,547	28,426	-	199,973
Deferred revenues	623,069	-	-	623,069
Total Current Liabilities	<u>900,103</u>	<u>47,744</u>	<u>5,276</u>	<u>953,123</u>
Noncurrent Liabilities				
Advances due to other funds	-	5,237	-	5,237
Total Noncurrent Liabilities	<u>-</u>	<u>5,237</u>	<u>-</u>	<u>5,237</u>
<b>TOTAL LIABILITIES</b>	<u>900,103</u>	<u>52,981</u>	<u>5,276</u>	<u>958,360</u>
<b>NET ASSETS</b>				
Invested in capital assets	2,883,957	1,094,849	10,344	3,989,150
Unrestricted	<u>525,937</u>	<u>435,261</u>	<u>402,460</u>	<u>1,363,658</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 3,409,894</u>	<u>\$ 1,530,110</u>	<u>\$ 412,804</u>	<u>\$ 5,352,808</u>

**CITY OF SHEBOYGAN**  
NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
For the Year Ended December 31, 2004

	Transit Commission	Parking Utility	Boat Facility	Totals
<b>OPERATING REVENUES</b>				
Charges for services	\$ 475,690	\$ 384,770	\$ 113,736	\$ 974,196
Other	49,878	-	-	49,878
Total Operating Revenues	<u>525,568</u>	<u>384,770</u>	<u>113,736</u>	<u>1,024,074</u>
<b>OPERATING EXPENSES</b>				
Personal services	2,261,610	143,534	388	2,405,532
Contractual services	624,769	138,735	56,267	819,771
Supplies and material	72,002	29,642	-	101,644
Depreciation	432,448	64,983	10,824	508,255
Insurance and other	98,121	1,377	2,003	101,501
Total Operating Expenses	<u>3,488,950</u>	<u>378,271</u>	<u>69,482</u>	<u>3,936,703</u>
Operating Income (Loss)	<u>(2,963,382)</u>	<u>6,499</u>	<u>44,254</u>	<u>(2,912,629)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Taxes	545,000	-	-	545,000
Intergovernmental grants and aids	2,023,533	-	-	2,023,533
Investment income	10,626	9,561	7,360	27,547
Interest and fiscal charges	-	(265)	-	(265)
Miscellaneous revenue	74,695	3,288	-	77,983
Total Nonoperating Revenues (Expenses)	<u>2,653,854</u>	<u>12,584</u>	<u>7,360</u>	<u>2,673,798</u>
Income (loss) before contributions and transfers	<u>(309,528)</u>	<u>19,083</u>	<u>51,614</u>	<u>(238,831)</u>
<b>CAPITAL CONTRIBUTIONS</b>	38,483	-	-	38,483
<b>TRANSFERS OUT</b>	-	(1,600)	-	(1,600)
<b>TRANSFERS IN</b>	<u>1,600</u>	<u>13,682</u>	<u>-</u>	<u>15,282</u>
<b>CHANGE IN NET ASSETS</b>	<u>(269,445)</u>	<u>31,165</u>	<u>51,614</u>	<u>(186,666)</u>
NET ASSETS - Beginning of year	<u>3,679,339</u>	<u>1,498,945</u>	<u>361,190</u>	<u>5,539,474</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,409,894</u>	<u>\$ 1,530,110</u>	<u>\$ 412,804</u>	<u>\$ 5,352,808</u>

**CITY OF SHEBOYGAN**  
NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2004

	Transit Commission	Parking Utility	Boat Facility	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 554,324	\$ 388,232	\$ 113,750	\$ 1,056,306
Payments to suppliers	(866,435)	(155,892)	(57,986)	(1,080,313)
Payments to employees for services	(2,261,610)	(143,534)	(388)	(2,405,532)
Net Cash Flows From Operating Activities	<u>(2,573,721)</u>	<u>88,806</u>	<u>55,376</u>	<u>(2,429,539)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer in	1,600	12,082	-	13,682
Taxes	545,000	-	-	545,000
Intergovernmental grants and aids	2,023,533	-	-	2,023,533
Net Cash Flows From Noncapital Financing Activities	<u>2,570,133</u>	<u>12,082</u>	<u>-</u>	<u>2,582,215</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(64,768)	(161,514)	-	(226,282)
Collection of special assessments	-	79,399	-	79,399
Contributed capital	38,483	-	-	38,483
Principal paid on long-term debt	-	(7,746)	-	(7,746)
Interest and fees on long-term debt	-	(265)	-	(265)
Net Cash Flows From Capital and Related Financing Activities	<u>(26,285)</u>	<u>(90,126)</u>	<u>(819)</u>	<u>(117,230)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	<u>9,410</u>	<u>8,781</u>	<u>6,731</u>	<u>24,922</u>
<b>Net Change in Cash and Cash Equivalents</b>	(20,463)	19,543	61,288	60,368
CASH AND CASH EQUIVALENTS – Beginning of year	<u>699,578</u>	<u>382,619</u>	<u>277,842</u>	<u>1,360,039</u>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<u>\$ 679,115</u>	<u>\$ 402,162</u>	<u>\$ 339,130</u>	<u>\$ 1,420,407</u>

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	<u>Transit Commission</u>	<u>Parking Utility</u>	<u>Boat Facility</u>	<u>Totals</u>
<b>Reconciliation of operating income to net cash from operating activities:</b>				
Operating income (loss)	\$ (2,924,877)	\$ 6,499	\$ 44,254	\$ (2,874,124)
Miscellaneous revenue	74,673	3,288	-	77,961
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Non cash items included in operating income				
Depreciation	432,448	64,983	10,824	508,255
Changes in assets and liabilities				
Property taxes	(92,074)	-	-	(92,074)
Accounts receivable	(5,070)	174	14	(4,882)
Inventory	2,385	-	-	2,385
Other assets	3,591	-	-	3,591
Due from other governments	(22,825)	-	-	(22,825)
Accounts payable	4,206	15,502	328	20,036
Accrued liabilities	(81,725)	(1,640)	(44)	(83,409)
Deferred revenues	74,030	-	-	74,030
Net Cash Flows From Operating Activities	<u>\$ (2,535,238)</u>	<u>\$ 88,806</u>	<u>\$ 55,376</u>	<u>\$ (2,391,056)</u>
<b>NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Special assessments levied	<u>\$ -</u>	<u>\$ 81,087</u>	<u>\$ -</u>	<u>\$ 81,087</u>

**CITY OF SHEBOYGAN**  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
Friday, December 31, 2004

	Motor Vehicle	Data Processing	Health Self Insurance
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 1,483,557	\$ 580,455	\$ 2,208,411
Receivables			
Accounts	258	727	3,133
Interest	31,978	2,118	6,913
Other assets	-	15,052	-
Total Current Assets	<u>1,515,793</u>	<u>598,352</u>	<u>2,218,457</u>
Noncurrent Assets			
Capital assets			
Other capital assets	8,516,047	570,439	-
Accumulated depreciation	(6,102,588)	(455,104)	-
Other Assets			
Investments	7,137,828	-	-
Deposit with CVMIC	-	-	-
Total Noncurrent Assets	<u>9,551,287</u>	<u>115,335</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>11,067,080</u>	<u>713,687</u>	<u>2,218,457</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	22,082	47,171	61,386
Accrued liabilities	110,434	-	1,329,711
Current portion of long-term debt	-	-	-
Accrued interest payable	-	-	-
Total Current Liabilities	<u>132,516</u>	<u>47,171</u>	<u>1,391,097</u>
Non-Current Liabilities			
Long-term debt	-	-	-
<b>TOTAL LIABILITIES</b>	<u>132,516</u>	<u>47,171</u>	<u>1,391,097</u>
<b>NET ASSETS</b>			
Invested in capital assets	2,413,459	115,335	-
Unrestricted	8,521,105	551,181	827,360
<b>TOTAL NET ASSETS</b>	<u>\$ 10,934,564</u>	<u>\$ 666,516</u>	<u>\$ 827,360</u>

Workers Compensation Self Insurance	General Liability Self Insurance	Total
\$ 1,781,523	\$ 302,925	\$ 6,356,871
-	-	4,118
6,602	922	48,533
6,853	31,256	53,161
<u>1,794,978</u>	<u>335,103</u>	<u>6,462,683</u>
-	-	9,086,486
-	-	(6,557,692)
-	-	7,137,828
-	2,205,665	2,205,665
-	2,205,665	11,872,287
<u>1,794,978</u>	<u>2,540,768</u>	<u>18,334,970</u>
-	3,760	134,399
100,000	-	1,540,145
-	200,200	200,200
-	12,110	12,110
<u>100,000</u>	<u>216,070</u>	<u>1,886,854</u>
-	456,610	456,610
<u>100,000</u>	<u>672,680</u>	<u>2,343,464</u>
-	-	2,528,794
1,694,978	1,868,088	13,462,712
<u>\$ 1,694,978</u>	<u>\$ 1,868,088</u>	<u>\$ 15,991,506</u>



**CITY OF SHEBOYGAN**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
For the Year Ended December 31, 2004

	Motor Vehicle	Data Processing	Health Self Insurance
<b>OPERATING REVENUES</b>			
Charges for services	\$ 2,173,696	\$ 135,558	\$ 6,694,733
<b>OPERATING EXPENSES</b>			
Personal services	512,469	-	-
Contractual services	750,372	80,227	146,631
Supplies and material	6,155	5,582	1,633
Depreciation	614,076	63,029	-
Insurance and other	134,686	8,156	6,111,786
Total Operating Expenses	<u>2,017,758</u>	<u>156,994</u>	<u>6,260,050</u>
Operating Income (Loss)	<u>155,938</u>	<u>(21,436)</u>	<u>434,683</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Intergovernmental grants and aids	-	10,485	-
Investment income	157,990	10,546	30,833
Interest expense	-	-	-
Miscellaneous revenue	1,510	36,868	115,058
Total Nonoperating Revenues (Expenses)	<u>159,500</u>	<u>57,899</u>	<u>145,891</u>
Income (Loss) Before Transfers	315,438	36,463	580,574
<b>TRANSFERS OUT</b>	<u>(3,000)</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	312,438	36,463	580,574
NET ASSETS - Beginning of Year	<u>10,622,126</u>	<u>630,053</u>	<u>246,786</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 10,934,564</u>	<u>\$ 666,516</u>	<u>\$ 827,360</u>

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Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 44,583	\$ 136,365	\$ 9,184,935
37,430	-	549,899
25,975	22,281	1,025,486
-	-	13,370
-	-	677,105
282,721	143,734	6,681,083
346,126	166,015	8,946,943
(301,543)	(29,650)	237,992
-	-	10,485
35,726	253,648	488,743
-	(60,944)	(60,944)
-	2,864	156,300
35,726	195,568	594,584
(265,817)	165,918	832,576
-	-	(3,000)
(265,817)	165,918	829,576
1,960,795	1,702,170	15,161,930
\$ 1,694,978	\$ 1,868,088	\$ 15,991,506

**CITY OF SHEBOYGAN**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2004

	Motor Vehicle	Data Processing	Health Self Insurance
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 2,175,188	\$ 172,470	\$ 6,833,096
Payments to suppliers	(931,098)	(145,593)	(5,920,678)
Payments to employees for services	(514,150)	-	-
Net Cash Flows From Operating Activities	<u>729,940</u>	<u>26,877</u>	<u>912,418</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfer out	(3,000)	-	-
Advances due from other funds	1,992,397	-	-
Intergovernmental grants and aids	-	10,485	-
Net Cash Flows From Noncapital Financing Activities	<u>1,989,397</u>	<u>10,485</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(585,552)	(40,800)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	140,292	9,712	25,908
Investments purchased	(2,537,828)	-	-
Principal paid on long term debt	-	-	-
Interest paid on long term debt	-	-	-
Net Cash Flows From Investing Activities	<u>(2,397,536)</u>	<u>9,712</u>	<u>25,908</u>
<b>Net Change in Cash and Cash Equivalents</b>	(263,751)	6,274	938,326
CASH AND CASH EQUIVALENTS – Beginning of year	<u>1,747,308</u>	<u>574,181</u>	<u>1,270,085</u>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<u>\$ 1,483,557</u>	<u>\$ 580,455</u>	<u>\$ 2,208,411</u>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 49,562	\$ 139,229	\$ 9,369,545
(250,862)	(172,675)	(7,420,906)
<u>(37,430)</u>	<u>-</u>	<u>(551,580)</u>
 <u>(238,730)</u>	 <u>(33,446)</u>	 <u>1,397,059</u>
 -	 -	 (3,000)
 -	 -	 1,992,397
 <u>-</u>	 <u>-</u>	 <u>10,485</u>
  <u>-</u>	  <u>-</u>	  <u>1,999,882</u>
   <u>-</u>	   <u>-</u>	   <u>(626,352)</u>
 33,577	253,313	462,802
-	-	(2,537,828)
-	(183,260)	(183,260)
<u>-</u>	<u>(65,113)</u>	<u>(65,113)</u>
 <u>33,577</u>	 <u>4,940</u>	 <u>(2,323,399)</u>
 (205,153)	 (28,506)	 447,190
<u>1,986,676</u>	<u>331,431</u>	<u>5,909,681</u>
<u>\$ 1,781,523</u>	<u>\$ 302,925</u>	<u>\$ 6,356,871</u>

**CITY OF SHEBOYGAN**  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
(concluded)  
For the Year Ended December 31, 2004

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	<u>Motor Vehicle</u>	<u>Data Processing</u>	<u>Health Self Insurance</u>
<b>Reconciliation of operating income to net cash from operating activities:</b>			
Operating income (loss)	\$ 155,938	\$ (21,436)	\$ 434,683
Non-operating income	1,510	36,868	115,058
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
Non cash items included in operating income			
Depreciation	614,076	63,029	-
Changes in assets and liabilities			
Accounts receivable	(228)	44	23,305
Due from other governments	210	-	-
Other assets	22	(2,362)	-
Accounts payable	(39,907)	(49,266)	16,163
Accrued liabilities	<u>(1,681)</u>	<u>-</u>	<u>323,209</u>
Net Cash Flows From Operating Activities	<u>\$ 729,940</u>	<u>\$ 26,877</u>	<u>\$ 912,418</u>

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Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ (301,543)	\$ (29,650)	\$ 237,992
-	2,864	156,300
-	-	677,105
4,979	-	28,100
-	-	210
7,834	6,611	12,105
-	(13,271)	(86,281)
<u>50,000</u>	<u>-</u>	<u>371,528</u>
<u>\$ (238,730)</u>	<u>\$ (33,446)</u>	<u>\$ 1,397,059</u>

## **SINGLE AUDIT**

# CITY OF SHEBOYGAN, WISCONSIN

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended December 31, 2004

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		
Community Development Block Grants		
1999	14.218	\$ -
2000	14.218	1,222,000
2001	14.218	1,267,000
2002	14.218	1,257,000
2003	14.218	1,233,000
2004	14.218	1,251,000
Economic Development Initiative HUD Special Projects Grant	14.248	498,900
Lead Hazard Control Grant Program	14.900	3,000,000
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>		
Urban Mass Transportation Operating Assistance	20.507	917,433
Passed through State of Wisconsin		
Department of Transportation		
2001 Section 5309 Capital Assistance Grant	20.500	1,744,400
Recreational trails program	20.219	35,741
<b>U.S. DEPARTMENT OF JUSTICE</b>		
Passed through State of Wisconsin		
Department of Administration		
Office of Justice Assistance		
Local Law Enforcement Block Grant	16.592	19,994
Local Law Enforcement Block Grant	16.592	13,798
Truancy Abatement & Crime Suppression	16.579	16,938
Byrne Formula Grant - Task Force Operations	16.579	62,313
Byrne Formula Grant - Task Force Operations	16.579	64,769
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>		
Passed through State of Wisconsin		
Department of Administration		
Office of Justice Assistance		
Homeland Security Grant	16.007	93,695
Homeland Security Grant	97.004	180,000
Homeland Security Grant	97.004	50,000



Revenues					Expenditures		
(Accrued) Deferred Revenue 12/31/2003	Grantor Receipts	Accrued (Deferred) Revenue 12/31/2004	Local Revenue	Total Revenues	Grantor	Local	Total
\$ -	\$ -	\$ 1,820	\$ -	\$ 1,820	\$ 1,820	\$ -	\$ 1,820
(4,573)	7,539	10,554	-	13,520	13,520	-	13,520
(34,130)	47,886	139,454	-	153,210	153,210	-	153,210
(60,097)	118,396	7,449	-	65,748	65,748	-	65,748
(411,474)	591,296	485,159	-	664,981	664,981	-	664,981
-	-	414,390	-	414,390	414,390	-	414,390
(439,430)	439,430	-	-	-	-	-	-
-	-	470,937	-	470,937	470,937	-	470,937
-	917,433	-	-	917,433	917,433	-	917,433
-	38,483	-	9,621	48,104	38,483	9,621	48,104
-	-	35,741	35,741	71,482	35,741	35,741	71,482
-	19,994	-	-	19,994	19,994	-	19,994
-	13,798	-	1,533	15,331	13,798	1,533	15,331
-	10,722	-	1,191	11,913	10,722	1,191	11,913
(27,923)	27,923	-	-	-	-	-	-
-	39,927	20,690	75,974	136,591	60,617	75,974	136,591
-	93,695	-	-	93,695	93,695	-	93,695
-	-	-	-	-	-	-	-
-	50,000	-	-	50,000	50,000	-	50,000

# CITY OF SHEBOYGAN, WISCONSIN

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended December 31, 2004

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<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>		
Passed through State of Wisconsin		
Department of Natural Resources		
Environmental Improvement Fund Loan	66.468	3,152,000
<b>U.S. DEPARTMENT OF COMMERCE</b>		
Passed through State of Wisconsin		
Department of Administration		
Coastal Management Program	11.419	101,250
Coastal Management Program	11.419	162,000
<b>U.S. FEDERAL EMERGENCY MANAGEMENT AGENCY</b>		
Passed through State of Wisconsin		
Department of Military Affairs		
Pre-Disaster Mitigation Planning Grant	83.557	25,112
<b>TOTAL FEDERAL AWARDS</b>		

Revenues					Expenditures		
(Accrued) Deferred Revenue 12/31/2003	Grantor Receipts	Accrued (Deferred) Revenue 12/31/2004	Local Revenue	Total Revenues	Grantor	Local	Total
-	2,429,387	236,939	-	2,666,326	2,429,387	236,939	2,666,326
(101,250)	101,250	-	-	-	-	-	-
-	162,000	-	352,000	514,000	162,000	352,000	514,000
-	20,836	-	-	20,836	20,836	-	20,836
<u>\$ (1,078,877)</u>	<u>\$ 5,129,995</u>	<u>\$ 1,823,133</u>	<u>\$ 476,060</u>	<u>\$ 6,350,311</u>	<u>\$ 5,637,312</u>	<u>\$ 712,999</u>	<u>\$ 6,350,311</u>

# CITY OF SHEBOYGAN, WISCONSIN

## SCHEDULE OF EXPENDITURES OF STATE AWARDS Year Ended December 31, 2004

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<u>State Agency/Program Title</u>	<u>State ID Number</u>	<u>Program or Award Amount</u>
<b>WISCONSIN DEPARTMENT OF TRANSPORTATION</b>		
Transit Operating Aid	395.104	1,038,966
Transit Operating Aid	395.104	1,069,741
<b>WISCONSIN DEPARTMENT OF NATURAL RESOURCES</b>		
Local Park Aids Program	370.421	100,000
Brownsfield Site Assessment Grant	370.687	1,100,000
<b>WISCONSIN DEPARTMENT OF ADMINISTRATION</b>		
Office of Justice Assistance		
Byrne Formula Grant - Ecstasy Initiative	505.646	2,132
Byrne Formula Grant - Task Force Operations	505.646	12,463
Byrne Formula Grant - Task Force Operations	505.646	12,954
<b>TOTAL STATE AWARDS</b>		

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Revenues					Expenditures		
(Accrued) Deferred Revenue 12/31/2003	Grantor Receipts	Accrued (Deferred) Revenue 12/31/2004	Local Revenue	Total Revenues	Grantor	Local	Total
(54,905)	-	54,905	-	-	-	-	-
-	962,766	22,825	-	985,591	985,591	-	985,591
49,964	-	(49,964)	-	-	-	-	-
(1,100,000)	1,100,000	-	-	-	-	-	-
(1,574)	1,574	-	-	-	-	-	-
(11,119)	11,119	-	-	-	-	-	-
-	-	12,954	-	12,954	12,954	-	12,954
<u>\$ (1,117,634)</u>	<u>2,075,459</u>	<u>40,720</u>	<u>-</u>	<u>998,545</u>	<u>998,545</u>	<u>-</u>	<u>998,545</u>

## CITY OF SHEBOYGAN

### NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS Year Ended December 31, 2004

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**NOTE 1** - The report on Expenditures of Federal and State Awards includes all of the funds of the City of Sheboygan. The reporting entity for the City is based upon criteria established by the Governmental Accounting Standards Board.

State programs reported include only those programs required to be included by the *State Single Audit Guidelines*.

**NOTE 2** - The accounting records for the grant programs are maintained on the modified accrual basis of accounting.

**NOTE 3** - The City's federal oversight agency for audit is the U.S. Department of Housing and Urban Development. The City's state cognizant agency is the Wisconsin Department of Transportation.

**NOTE 4** - The following programs have been identified as a cluster in accordance with the requirements of OMB Circular A-133:

<u>CFDA No.</u>	<u>Program Title</u>	
20.507	Urban Mass Transportation Operating Assistance	\$ 917,433
20.500	2001 Section 5309 Capital Assistance Grant	<u>38,483</u>
		<u>\$ 955,916</u>

**NOTE 5 – Status of Prior Year Findings**

No findings of noncompliance were identified in the Single Audit Report for the year ended December 31, 2003.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Common Council  
City of Sheboygan  
Sheboygan, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sheboygan, Wisconsin, as of and for the year ended December 31, 2004, which collectively comprise the city's basic financial statements and have issued our report thereon dated March 4, 2005. We did not audit the financial statements of the Housing Authority of the City of Sheboygan and the Harbor Centre Business Improvement District, which are presented in the component unit column. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the Housing Authority of the City of Sheboygan and the Harbor Centre Business Improvement District is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the City of Sheboygan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City of Sheboygan's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City of Sheboygan management, and federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Virchow, Krause & Company, LLP*

Milwaukee, Wisconsin  
March 4, 2005



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE  
STATE SINGLE AUDIT GUIDELINES

Honorable Mayor and Common Council  
City of Sheboygan  
Sheboygan, Wisconsin

**Compliance**

We have audited the compliance of the City of Sheboygan with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* and the *State Single Audit Guidelines* that are applicable to each of its major federal and major state programs for the year ended December 31, 2004. The City of Sheboygan's major federal and major state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and major state programs is the responsibility of the City of Sheboygan's management. Our responsibility is to express an opinion on the City of Sheboygan's compliance based on our audit.

The City of Sheboygan's basic financial statements included the operation of the Housing Authority of the City of Sheboygan, which received \$621,008 in federal awards which is not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2004. Our audit, described below, did not include the operations of the Housing Authority of the City of Sheboygan because the component unit had a separate audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; and *State Single Audit Guidelines*. Those standards, *OMB Circular A-133* and *State Single Audit Guidelines*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or major state program occurred. An audit includes examining, on a test basis, evidence about the City of Sheboygan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Sheboygan's compliance with those requirements.



In our opinion, the City of Sheboygan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and major state programs for the year ended December 31, 2004.

### ***Internal Control Over Compliance***

The management of the City of Sheboygan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the City of Sheboygan's internal control over compliance with requirements that could have a direct and material effect on a major federal and major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133* and *State Single Audit Guidelines*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal and state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City of Sheboygan management and federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Virchow, Krause & Company, LLP*

Milwaukee, Wisconsin  
March 4, 2005

# CITY OF SHEBOYGAN, WISCONSIN

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended December 31, 2004

### Section I: Summary of Auditors' Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting  
Material weakness(es) identified?        yes   X   no  
Reportable condition(s) identified that are not  
considered to be material weaknesses?        yes   X   none reported

Noncompliance material to general purpose  
financial statements noted?        yes   X   no

#### Federal or State Awards

Internal control over federal award program:  
Material weakness(es) identified?        yes   X   no  
Reportable condition(s) identified that are not  
considered to be material weaknesses?        yes   X   none reported

Type of auditor's report issued on compliance  
of federal award program: Unqualified

Any audit findings disclosed that are required to be reported  
in accordance with Circular A-133 Section 510(a)?        yes   X   no

Identification of major federal program:

#### CFDA NUMBER

20.500

20.507

#### Name of Federal Program or Cluster

2001 Section 5309 Capital Assistance

Urban Mass Transportation  
Operating Assistance

	<u>Federal Programs</u>	<u>State Programs</u>
Auditee qualified as low-risk auditee?	<u>  X  </u> yes <u>      </u> no	<u>  X  </u> yes <u>      </u> no
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>	<u>\$ 100,000</u>

# CITY OF SHEBOYGAN, WISCONSIN

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2004

### Section I: Summary of Auditors' Results (continued)

#### Federal or State Awards (continued)

Identification of major state programs:

<u>State Number</u>	<u>Name of State Program</u>
395.104	Transit Operating Aid

### Section II: Financial Statement Findings

There were no findings required to be reported in accordance with Generally Accepted Government Auditing Standards.

### Section III: Federal and State Findings and Questioned Costs

There were no findings or questioned costs for federal or state awards.

### Section IV: Other Issues

- Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?  

yes        X   no
- Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, reportable condition, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:  

Department of Transportation

yes        X   no

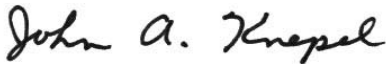
Department of Natural Resources

yes        X   no

Department of Administration

yes        X   no
- Was a Management Letter or other document conveying audit comments issued as a result of this audit?  

yes        X   no             N/A
- Name and signature of partner  

John Knepel, CPA, Partner  

- Date of report  

March 4, 2004